

**BILL #** HB 2449

**TITLE:** air quality; CARB diesel

**SPONSOR:** Allen

**STATUS:** As Amended by Senate NRAE

**REQUESTED BY:** Senate

**PREPARED BY:** Tom Mikesell

**FISCAL YEAR**

	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>EXPENDITURES</b>			
Voluntary Vehicle Repair and Retrofit Fund	\$-0-	\$399,800 <sup>1/</sup>	\$378,000 <sup>1/</sup>
State Highway Fund	<u>-0-</u>	<u>70,000</u>	<u>70,000</u>
Total	\$-0-	\$469,800	\$448,000

**REVENUES**

Voluntary Vehicle Repair and Retrofit Fund	\$-0-	\$1,890,000 <sup>2/</sup>	\$1,890,000 <sup>2/</sup>
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<sup>1/</sup> Expenditures could increase by the amount of new revenue of \$1.89 million. These amounts represent the maximum expenditure for diesel vehicle emission repair and retrofit grants, which are newly authorized by the bill.

<sup>2/</sup> These amounts do not include an unknown level of revenues from out-of-state vehicles paying an 'apportioned' fee.

**FISCAL ANALYSIS**

**Description**

This bill levies a \$10 fee on every diesel vehicle registered in the state that weighs greater than 8,500 pounds and an apportioned \$10 fee on every person who pays an apportioned fee. Apportionment refers to the manner used to assess state registration fees on commercial vehicles that are regularly operated in more than one state. Revenues collected from the new \$10 fee are to be deposited into the Voluntary Vehicle Repair and Retrofit Fund. Under current law, the fund receives no other revenue. The bill expands the purpose of the Voluntary Vehicle Repair and Retrofit Program to include grants for repairing and retrofitting diesel vehicles over 8,500 pounds that fail annual state emissions tests. However, the total grants for these purposes are capped at 20% of fund resources annually. With the program expansion, eligible vehicle owners may receive grants equal to half the cost to repair or retrofit failing vehicles up to a maximum grant of \$1,000.

**Estimated Impact**

This bill will increase revenues to the Voluntary Vehicle Repair and Retrofit (VVRR) Fund by at least \$1,890,000 in FY 2002 and FY 2003 based on Department of Transportation Division of Motor Vehicles (MVD) estimates. These estimates are speculative in that they are based on incomplete information from MVD about revenues from the apportioned vehicle population. The bill could result in increased expenditures from the Voluntary Vehicle Repair and Retrofit Fund equal to the amount of new revenues. The bill expands program eligibility to include diesel vehicles, but limits these expenditures to 20% of total revenues. At 20% the diesel program could cost \$399,800 in FY 2002 and \$378,000 in FY 2003. These estimates are also tenuous in that they are based on annual revenues to the fund. Further, MVD estimates that \$70,000 and 2 FTE Positions will be required from the State Highway Fund to calculate and distribute the apportioned fees paid as a result of the bill.

(Continued)

## **Assumptions**

Based on information from MVD, there are approximately 71,700 non-apportioned diesel vehicles registered in Arizona. Assuming that there will be this number of registered vehicles in the future, the \$10 fee will generate \$717,000 to the VVRR Fund in FY 2002 and FY 2003. Further, MVD estimates that an additional 117,300 apportioned vehicles have Arizona license plates. Assuming that this number of vehicles will continue in the future, the \$10 fee applied to these vehicles will generate \$1,173,000 to the VVRR Fund in FY 2002 and FY 2003, based on discussions with Legislative Council and MVD regarding how the apportioned fee is levied. MVD was unable to generate an estimate for the number of apportioned vehicles license plated in other states that would be subject to the apportioned fee, therefore this estimate does not include revenues that would be generated by fee payments by this population. In total, the \$10 fee created in the bill will generate approximately \$1,890,000 to the VVRR Fund in FY 2002 and FY 2003 from the known vehicle populations, however, as noted above this estimate is tenuous since MVD is not able to provide information on out-of-state apportioned vehicles to generate a more complete estimate.

The bill provides that the VVRR Fund may be used for diesel repair and retrofit grants but stipulates that no more than 20% of the funds in each year may be used for this purpose. The Arizona Department of Environmental Quality estimates an FY 2002 beginning balance of \$109,100, therefore the added revenues from the new fees will bring program resources to \$1,999,100 in FY 2002. The 20% that can be used for diesel vehicle repairs pursuant to the bill is estimated to be \$399,800 in FY 2002.

ADEQ was unable to provide an estimate of number of diesel vehicles greater than 8,500 pounds that failed the test, therefore it is unknown how many vehicles will be eligible for repairs. Further, ADEQ was unable to provide an average repair cost. Lacking this data from ADEQ, it is assumed that the entire amount available for diesel repair grants will be used in each year. This results in increased expenditures from the VVRR Fund of \$399,800 in FY 2002. In FY 2003, it is assumed that the only available program resources will be from the \$10 diesel fee. Assuming that the full 20% available for diesel repair grants is allocated, this results in \$378,000 in expenditures from the VVRR Fund in FY 2003.

In addition to expenditures from the VVRR Fund, MVD indicates that to calculate and distribute the portion of the \$10 fee received on apportioned vehicles with license plates from other states, \$70,000 and 2 FTE Positions from the State Highway Fund will be required beginning in FY 2002.

## **Local Government Impact**

Since the Voluntary Vehicle Repair and Retrofit Program is administered by Pima and Maricopa Counties, an increase in the distribution of grant funds caused by increasing the program eligibility may result in higher administrative costs for the counties. However, according to ADEQ estimates, approximately \$2,516,000 is estimated to be spent on grants in FY 2001. Since the total dollar amount expected to be granted from the fund in FY 2002 and FY 2003 is below the FY 2001 estimated amount, it is assumed that there will be no impact on local governments.

## **Amendments**

An amendment by the Senate NRAE Committee made technical changes to language addressing federal fuel standards and had no impact to the estimate.