

BILL # SB 1317

TITLE: vehicle emission; in lieu fee

SPONSOR: Gerard

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Chris Earnest

FISCAL YEAR

	2001	2002	2003
REVENUES			
Arizona Clean Air Fund	\$ -0-	\$(12,100,000)	\$(12,100,000)

FISCAL ANALYSIS

Description

The bill eliminates the fee in lieu of emissions inspection for new vehicles in Maricopa and Pima Counties. Currently, owners of vehicles that are 5 years old or newer have the option of either completing the required emissions test or paying an “in-lieu” fee. Under current statute the in-lieu fee is \$25 in Maricopa County and \$9 in Pima County. These fees are paid with the vehicle registration and are deposited in the Arizona Clean Air Fund (ACAF). SB 1317 eliminates the fees in both counties, as well as any emissions test for vehicles that are 5 year old or newer.

Estimated Impact

The total ACAF impact is \$(12,100,000) in both FY 2002 and FY 2003. This estimate represents lost revenue and interest to the ACAF due to the elimination of the in-lieu fee. The only ACAF revenues remaining would be \$250,000 annually transferred from the Air Quality Fund. The loss of in-lieu revenues will prevent the ACAF from fully funding the following statutory obligations:

- ARS § 41-1516 currently requires that a portion of the in-lieu fees in calendar year 2001 be used to subsidize the emissions inspection fee from \$31.50 to \$25 in Maricopa County and from \$10 to \$9 in Pima County. It is estimated that \$3.6 million of in-lieu fees will be deposited in the Vehicle Emissions Inspection (VEI) Fund to provide for this subsidy in FY 2002. Without in-lieu revenues however, emissions fees will need to rise to the unsubsidized level, \$31.50 in Maricopa County and \$10 in Pima County, or another funding source will be necessary to keep the fees at \$25 and \$9 respectively. There are currently no provisions to subsidize the test in FY 2003.
- Laws 2000, 7th Special Session, Chapter 1 requires that through October 1, 2001, up to \$6.5 million from the ACAF be used for grants to replace or convert large diesel vehicles to operate on alternative fuels. It is estimated that ACAF will be able to fund \$5.3 million of the diesel grants in FY 2001, leaving \$1.2 million to be funded in FY 2002. Eliminating the in-lieu fees, however, will prevent the ACAF from fully funding the \$6.5 million grants requirement.
- Laws 2000, Chapter 405 requires that the ACAF fund one-half of a \$500,000 hydrogen grant program in FY 2001 and FY 2002. Without in-lieu revenues, no money will be available to meet this \$250,000 requirement.
- In addition, ARS § 41-1516 includes several discretionary grant programs to counties, cities, school districts and non-profit organizations. Under SB 1317, minimal funding would be available for these grants.

Assumptions

In FY 2000 the ACAF received \$10.6 million of revenue from in-lieu fees. The JLBC Staff estimates that this amount will grow to \$11.7 million in FY 2001. This growth is the result of a higher in-lieu fees charged between July and December 2000. During those months, the Maricopa County fee increased from \$25 to \$31.50. The growth is also a result of an estimated 2% increase in vehicle population. In FY 2002 and FY 2003, the JLBC Staff estimates that revenues will remain at approximately \$11.7 million annually. SB 1317 eliminates both the in-lieu revenue and the associated interest (estimated at \$400,000 annually) for an annual cost to the ACAF of \$(12.1) million.

(Continued)

Assumptions (Continued)

The table below displays the status of the ACAF under current law versus under SB 1317:

Arizona Clean Air Fund				
Status under Current Law versus SB 1317 as introduced				
	FY 2002		FY 2003	
	Current Law	SB 1317	Current Law	SB 1317
Revenues				
Balance Forward	\$0	\$0	\$0	\$0
In-Lieu Fees	11,700,000	0	11,700,000	0
Air Quality Fund	250,000	250,000	250,000	250,000
Interest	400,000	0	400,000	0
Total Available	\$12,350,000	\$250,000	\$12,350,000	\$250,000
Expenditures				
<u>Grants</u>				
- Alt. Fuel Vehicles	\$0	\$0	\$0	\$0
- Diesel Vehicles	1,155,100 ^{1/}	250,000 ^{1/}	0	0
- NAU Alt. Fuel Station	0	0	0	0
- Prior Year Obligations	0	0	0	0
<u>Transfers</u>				
- Emissions Test Subsidy	3,600,000 ^{2/}	0	0	0
- Transfer to V2R2 Program	0	0	0	0
- AFV Holding Account	0	0	0	0
- DEQ: Alt Fuel Emissions Data	0	0	0	0
<u>Other</u>				
- Hydrogen Demonstration	250,000 ^{3/}	0	0	0
- Other Discretionary Items	7,344,900 ^{4/}	0	12,350,000 ^{4/}	250,000
Total Expenditures	\$12,350,000	\$250,000	\$12,350,000	\$250,000
Ending Balance	\$0	\$0	\$0	\$0

^{1/} Laws 2000, 7th Special Session requires the Department of Commerce to fund \$6.5 million in grants to convert large diesel vehicles to an alternative fuel. This analysis assumes that \$5.3 of this amount will be provided in FY 2001. Under current law, the remaining \$1.2 million will be funded in FY 2002. Under SB 1317, only \$250,000 would be available in FY 2002.

^{2/} Original estimate of in-lieu fee allocation for emissions subsidy was \$2.7 million. Actual FY 2000 in-lieu revenue suggests this is allocation may be approximately \$3.6 million.

^{3/} This amount is specified in Laws 2000, Chapter 405.

^{4/} Discretionary items include grants for public, city, county, school district, and non-profit alternative fuel delivery stations. Uses also include HOV lane signs, alt fuel training, and fund administration.

Local Government Impact

Local Governments including cities, counties and school districts are eligible for alternative fuel grants under existing law. It is estimated that up to \$7.3 million in FY 2002 and \$12.35 million in FY 2003 could be granted to local governments. Under SB 1317 however, no monies would be available for local government grants.