

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1092

SPONSOR: Senator Klein

SUBJECT: Motor Vehicle Emissions

DATE: March 12, 2000 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Vickers</u>	<u>Meyer</u>	<u>TR</u>	<u>Favorable</u>
2.	_____	_____	<u>GO</u>	_____
3.	_____	_____	<u>FR</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill would repeal all sections of Chapter 325, Florida Statutes, relating to the Motor Vehicle Inspection Program and would effectively terminate that program.

The impact of the bill on Florida's compliance with federal clean air requirements is uncertain. Termination of the Motor Vehicle Inspection Program (MVIP) in the four east coast counties (Duval, Palm Beach, Broward, and Dade) appears to be less problematic. The Environmental Protection Agency recently provided tentative approval to a proposed revision to the State Implementation Plan that would eliminate the emissions reduction credits associated with the MVIP in those four counties. However, elimination of the MVIP in Hillsborough and Pinellas counties is not part of the requested revision. According to the Department of Environmental Protection, it is doubtful the Environmental Protection Agency would approve a revision to the State Implementation Plan eliminating the MVIP in those two counties without an alternative ozone control strategy being implemented.

The bill would have a significant fiscal impact on state government and the private-sector.

This bill repeals the following sections of the Florida Statutes: 325.001, 325.201, 325.202, 325.203, 325.204, 325.206, 325.207, 325.2075, 325.208, 325.209, 325.210, 325.211, 325.212, 325.213, 325.2135, 325.214, 325.215, 325.216, 325.217, 325.218, and 325.219.

II. Present Situation:

In 1988, the Legislature enacted the Clean Outdoor Air Act (creating the Motor Vehicle Inspection Program - ss. 325.201 - 325.219, F.S.) to require annual motor vehicle emissions inspections in certain areas of the state. The Department of Highway Safety and Motor Vehicles (DHSMV) currently administers motor vehicle inspections in six Florida counties - Broward, Dade, Duval, Hillsborough, Pinellas, and Palm Beach. The purpose of the Motor Vehicle Inspection Program (MVIP) is to improve air quality in the counties designated by the

Environmental Protection Agency in 1987 as ozone nonattainment areas. This is accomplished by ensuring, through emissions inspections, most motor vehicles registered in the impacted counties are properly maintained. Vehicles not passing emissions inspections must be repaired, or receive a waiver or exemption, in order to have their registration renewed. The MVIP is operated by private contractors under contract with DHSMV.

In 1993, the state requested that the six counties formerly designated as ozone nonattainment areas be reclassified as maintenance areas. Accordingly, the Department of Environmental Protection (DEP) developed maintenance plans that demonstrated how the six counties would remain in compliance with the federally-mandated 1-hour ozone standard. The maintenance plans included the emissions reduction credits associated with the MVIP. Upon approval by the Environmental Protection Agency (1995 and 1996), the maintenance plans were incorporated into Florida's State Implementation Plan under the Clean Air Act.

In 1997, the Environmental Protection Agency revised the federal ozone standard from a 1-hour standard to a more stringent 8-hour standard. The 1-hour standard was subsequently revoked in all areas where the standard was being met, including the six Florida counties. According to DEP, while all Florida counties continue to meet the 1-hour standard, two areas of the state (Hillsborough and Escambia counties) are not likely to meet the new 8-hour standard. However, in May of 1999, the U.S. District Court of Appeals for the District of Columbia remanded the new 8-hour standard to the Environmental Protection Agency. This ruling is currently under appeal and the outcome is uncertain. In December of 1999, the Environmental Protection Agency proposed to temporarily reinstate the 1-hour standard until the status of the 8-hour standard is fully resolved.

In December of 1999, DEP submitted a proposed State Implementation Plan revision to the Environmental Protection Agency requesting that the ozone maintenance plans for the four east coast counties (Duval, Palm Beach, Broward, and Dade) be amended to eliminate the credits from the MVIP. According to DEP, neither the 1-hour standard or 8-hour standard has been violated in these areas since 1990. In its proposed State Implementation Plan revision, DEP noted the current basic emissions testing is of limited utility because it does not test for nitrogen oxides (NO_x), the critical pollutant in ozone formation in Florida.

The loss of the MVIP emission reductions is not expected to result in recurrence of violations of the 1-hour standard in the four east coast counties or in violations of the new 8-hour standard. Hillsborough and Pinellas counties were not included in the State Implementation Plan revision due to the fact that Hillsborough is very close to violating the 1-hour standard and is not meeting the 8-hour standard. In March of 2000, the Environmental Protection Agency indicated it is preparing a tentative approval for the requested revision to the State Implementation Plan.

In July of 2000, the Environmental Protection Agency will evaluate air quality data and make its determination regarding which areas are not meeting the new 8-hour national ambient air quality standard for ozone. These areas will be designated as nonattainment areas. Recent ambient air quality data indicates Duval, Palm Beach, Broward, and Dade counties will meet both the 1-hour and 8-hour standards. These counties will not be designated nonattainment areas, although they may continue to be designated as maintenance areas for the 1-hour standard until the status of the 8-hour standard is resolved. The DEP anticipates Hillsborough and Escambia counties will be

designated as nonattainment areas in 2000. In this event, the state will be required to develop effective ozone strategies to bring those areas into compliance. Depending on how the Environmental Protection Agency defines nonattainment areas, several counties adjacent to Hillsborough (Pasco, Hernando, Polk, and Pinellas) and Escambia (Santa Rosa) counties may be included within the nonattainment designation.

The current emissions testing contracts were scheduled to expire in April and May of 2000. During the 1999 Legislative Session, the Legislature directed DHSMV to enter into new contracts by June 30, 2000, that continue the current basic testing program in the six counties for a period not exceed seven years. The revised MVIP exempts from testing the current and two prior model year vehicles, and requires biennial testing of vehicles. These contracts could only be canceled after four years of operation with six months notice to the contractors.

III. Effect of Proposed Changes:

This bill repeals all sections of Chapter 325, F.S., effectively terminating the Motor Vehicle Inspection Program upon the bill becoming a law.

The impact of the bill on Florida's compliance with federal requirements is uncertain. Termination of the MVIP in the four east coast counties addressed by the proposed State Implementation Plan revision appears to be less problematic. The Environmental Protection Agency has indicated its intent to approve the requested revision. However, elimination of the MVIP in Hillsborough and Pinellas counties is not part of the requested revision. According to DEP, it is doubtful the Environmental Protection Agency would approve a revision to the State Implementation Plan eliminating the MVIP in those two counties without an alternative ozone control strategy being implemented. Such control strategies might include additional nitrogen oxide controls on stationary sources or early implementation of low-sulfur fuel in the area.

Prior to the imposition of any federal sanctions the Environmental Protection Agency would have to make a finding the state had violated the State Implementation Plan. This would then trigger an 18-month period of review during which the state would need to demonstrate how it would achieve the reduction credits currently associated with the program and modify the State Implementation Plan accordingly. If after this 18-month period of review, the Environmental Protection Agency determined the state had failed to submit these requirements, sanctions could be imposed. Potential sanctions include the withholding of highway funds and imposition of emissions offset requirements. The withholding of highway funds would be applicable to the relevant non-attainment area, not the entire state. The emissions off-set requirements provide for a 2 to 1 ratio of emissions reductions to increased emissions for new or modified sources or emissions units for which permitting is required.

The effective date of the bill also poses a concern. Section 325.207(8), F.S., currently provides for reasonable compensation to the MVIP contractors should the Legislature abolish the program prior to the conclusion of the contract term. As provided in s. 325.2135, F.S., DHSMV has extended the current contracts through June 30, 2000, to facilitate implementation of new contracts. If the bill becomes law prior to July 1, 2000, the state may be subject to damages.

The bill will have a significant fiscal impact on DHSMV. The bill will reduce revenue to the Highway Safety Operating Revenue by \$16.4 million.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The bill would eliminate the inspection fee (currently \$10; increasing to \$19 biennially after July 1, 2000) motor vehicle owners in the six counties pay in connection with the MVIP.

B. Private Sector Impact:

Elimination of the MVIP would adversely impact the emissions contractors and motor vehicle repair industry. Emissions contractors would lose approximately \$37 million annually after July 1, 2000. The motor vehicle repair industry would lose in excess of \$25 million annually after July 1, 2000 as a result of the bill.

Motor vehicle owners in the six impacted counties would realize costs savings of approximately \$53,400,000 in fiscal year 2000-2001, and \$54,100,000 in fiscal year 2001-2002.

C. Government Sector Impact:

During fiscal year 1999-2000, the MVIP generated \$17.6 million in total revenue. Of this total, \$16.4 million was deposited into the Highway Safety Operating Trust Fund, and \$1.2 million was deposited into the General Revenue Fund. Changes enacted to the MVIP during the 1999 Legislative Session would reduce state revenue to approximately \$2.8 million annually. During fiscal year 1999-2000, DHSMV expenditures on the MVIP totaled \$2,038,000.

This bill would eliminate all revenues currently derived from the MVIP.

VI. Technical Deficiencies:

None.

VII. Related Issues:

Although DEP supports the elimination of the MVIP in the four counties meeting both the 1-hour and 8-hour standards, it has recommended that Chapter 325, F.S., be amended to eliminate the MVIP in those counties that are easily meeting the new federal 8-hour standard. Both DHSMV and DEP recommend the effective date of the bill should be changed to July 1, 2000, in order to avoid potential damages payable to the emission contractors.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
