

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: House Bill 1175 (First Edition)

SHORT TITLE: Emissions Inspection – Not for 25-Year-Old Vehicles

SPONSOR(S): Representatives Howard and Thompson

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES:					
Highway Fund					
Emissions Prog. Acct.	(\$27,000)	(\$36,000)	(\$36,000)	(\$36,000)	(\$18,000)
Special Funds					
Div. of Air Quality.	(\$5,250)	(\$7,000)	(\$7,000)	(\$7,000)	(\$3,500)
Volunteer Rescue/ EMS Fund	(\$2,250)	(\$3,000)	(\$3,000)	(\$3,000)	(\$1,500)
Rescue Squad Workers Rel. Fund	(\$1,500)	(\$2,000)	(\$2,000)	(\$2,000)	(\$1,000)
SPECIAL FUNDS TOT.	(\$36,000)	(\$48,000)	(\$48,000)	(\$48,000)	(\$24,000)
EXPENDITURES: None					
POSITIONS:					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Transportation, Division of Motor Vehicles, Highway Fund; Department of Environment and Natural Resources, Division of Air Quality; Department of Insurance					
EFFECTIVE DATE: This act becomes effective October 1, 2001					

BILL SUMMARY: This bill exempts motor vehicles more than 25 years old from the requirement of an annual emissions inspection.

ASSUMPTIONS AND METHODOLOGY:

Background: In 1999, the General Assembly expanded the Motor Vehicles Emissions Inspection and Maintenance Program (I & M) from the current nine participating counties¹ to an additional 38 counties to be phased in over a three-year schedule beginning in July 2003. At the same time, the General Assembly changed the type of test required for emissions inspections from the idle test to an on-board diagnostic (OBD) test beginning in July 2002. This newer test can only be performed on cars manufactured from 1996 on that are equipped with the OBD technology. During the expansion to the additional counties and transition to the new OBD test, the idle test will be retained in the original nine counties only and will be phased out by December 31, 2005.

Bill Impact: The current Safety and Emissions statutes (G.S. 20-183.2 (b)) exempt all motor vehicles manufactured in 1975 and earlier from an annual emissions inspection. This bill amends this statute to exempt all motor vehicles more than 25 years old from an annual emissions inspection. This revised exemption will only affect vehicles registered in the nine counties currently participating in the I & M Program because vehicles in the expansion counties (and in the original nine counties after 2005) will only be tested if they are model year 1996 or later.

Based on information from Division of Motor Vehicles (DMV) and the Division of Air Quality (DAQ), it appears that fewer than one percent of the vehicles currently registered in the original nine counties are older than 25 years. Assuming that car owners in the future retire their vehicles at roughly the same rate as car owners today, then the percentage of vehicles older than 25 should remain under one percent.

For each emissions inspection completed, the State receives a total of \$2.40 that is allocated to the following funds:

- \$1.80 to the Highway Fund for the Division of Motor Vehicles,
- \$0.35 to the I & M Air Pollution Control Account for the Division of Air Quality,
- \$0.15 to the Department of Insurance's Volunteer Rescue/EMS Fund, and
- \$0.10 to the Department of Insurance's Rescue Squad Workers' Relief Fund.

By exempting cars older than 25 years, the State will lose some revenue that it would otherwise receive; however, because this bill affects so few cars the revenue lost in each of the special funds is relatively insignificant compared to the amount collected.

Approximately 2,000,000 emission inspections are carried out each year in the nine emission counties and it is assumed that the exemption in the bill would reduce the number of inspections by a maximum of one percent, or 20,000 per year. The yearly revenue loss, would be as follows (except for the first year, when it would be lower, reflecting the effective date of October 1, 2001, and the last year, when tail pipe tests will have been discontinued midway through the fiscal year):

Highway Fund (Emission Program Account)	$20,000 \times \$1.80 = \$36,000$
I&M Air Pollution Control Account (DAQ)	$20,000 \times \$.35 = \$ 7,000$

¹ The nine counties currently participating in the I & M Program are Cabarrus, Durham, Forsyth, Gaston, Guilford, Mecklenburg, Orange, Union, and Wake.

Volunteer Rescue/EMS Fund	20,000 x \$.15= \$ 3,000
Rescue Squad Workers' Relief Fund	20,000 x \$.10= \$ 2,000

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: 733-4910

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