

Follow-up Analysis: A Three-Year Emission Inspection Exemption Would Save North Carolina Motorists \$9.6 Million

A presentation to the Joint Legislative
Program Evaluation Oversight Committee

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Our Charge

- General Statute §120-36.12 gives the Program Evaluation Division the authority to
 - determine the extent to which a State agency has implemented any of the Division's recommendations concerning the agency
 - make periodic reports of the activities and recommendations of the Division and any savings achieved by the implementation of its recommendations

Overview

This follow-up report addresses three questions

1. What are the results of the DMV/DAQ exemption study regarding North Carolina's ability to meet federal air quality standards?
2. What are the financial and other implications of the study's recommendation?
3. How could the General Assembly exempt the three newest model years of vehicles from emission inspections?

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Overview

- DMV/DAQ found a three-year exemption would not affect the State's adherence to federal air quality standards
- A three-year exemption would save North Carolina motorists \$9.6 million annually but would reduce state revenue by an estimated \$3.2 million
- A three-year exemption will require changes to General Statutes, administrative rules, and the State Implementation Plan and cannot go into effect until January 1, 2014

Emission Inspections Program

- In 48 counties the vehicle emission inspections program helps North Carolina meet federal air quality standards
- Operation of the emission inspections program is shared between DENR and DMV

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PED's 2008 Report

Doubtful Return on the Public's \$141 Million Investment in Poorly Managed Vehicle Inspection Programs

- **Finding:** Older vehicles are more likely to fail emission inspections
- **Recommendations:** Exempt three newest model year vehicles from emission inspections and study the effect of exemptions on the State's compliance with federal air quality standards

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Legislative Study Requirement

Session Law 2011-145, Section 28.24(a)

- Directed DMV and DAQ to study changes to the vehicle emission inspections program
 - Exempting three newest model year vehicles
 - Eliminating emission inspection program
- Submit report on March 1, 2012

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What are the results of the DMV/DAQ study regarding North Carolina's ability to meet federal air quality standards?

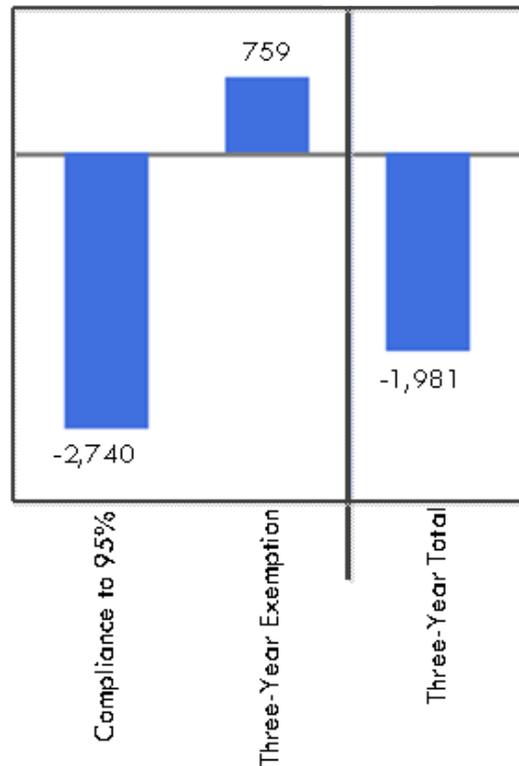
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North Carolina's State Implementation Plan (SIP)

- The Clean Air Act requires North Carolina to submit a SIP to the Federal Environmental Protection Agency
- Compliance in the current SIP is 92%
- DMV/DAQ reported the Electronic Authorization program has increased compliance to between 96% and 99%
- Analysis conducted for the DMV/DAQ study assumed a 95% compliance rate

Division of Air Quality Analysis

Pollutant	Pollutant Reduction with Increased Compliance	Three-Year Exemption		Elimination Atmospheric Addition
		Atmospheric Addition	Net Effect	
Nitrous Oxides	-263	26	-237	8,100
Volatile Organic Compounds	-130	4	-126	3,987
Carbon Monoxide	-2,347	729	-1,618	72,725
Total	-2,740	759	-1,981	84,812



Findings from the DAQ Analysis

- A three-year exemption would not affect the State's adherence to federal air quality standards
- Eliminating the vehicle emission inspections program would increase pollution and would require additional regulations to meet federal air quality standards

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Recommendations from the DMV/DAQ Study

DMV/DAQ study recommended the
“legislature exempt the three newest
model year vehicles from emissions
inspections”

Concurs with the 2008 PED
Recommendation

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What are the financial and other implications of the study's recommendation?

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Implications of a Three-Year Exemption for North Carolina Motorists

- Exempt two additional model years (587,362 vehicles)
- Motorists would save an estimated \$9.6 million annually
- Vehicle safety inspections still required annually

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Financial Implications of a Three-Year Exemption for North Carolina and Inspection Stations

N.C. Inspection Stations
Safety and Emissions

Fees from the two inspections are currently distributed as described below

Safety
\$13.60

Emissions
\$16.40

Recipient	Portion of Fee
Rescue Squad Workers' Relief Fund	\$ 0.12
Volunteer Rescue/EMS Fund	0.18
Highway Fund	0.55
Inspection Station	12.75
Total	\$ 13.60

Recipient	Portion of Fee
Division of Air Quality	\$ 0.65
Telecommunications Account	1.75
Emissions Program Account	3.00
Inspection Station	11.00
Total	\$ 16.40

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What are the Financial Implications of a Three-Year Exemption for North Carolina and Inspection Stations

Recipient of Fee	Distribution of Fee	Current Emission Inspection Revenue (5,505,160 Vehicles)	Projected Revenue from a Three-Year Exemption (4,917,798 Vehicles)	Projected Revenue Loss
Division of Air Quality	\$ 0.65	\$ 3,578,354	\$ 3,196,569	\$ (381,785)
Telecommunications Account	\$ 1.75	9,634,030	8,606,147	(1,027,884)
Emissions Program Account	\$ 3.00	16,515,480	14,753,394	(1,762,086)
Inspection Station	\$ 11.00	60,556,760	54,095,778	(6,460,982)
Total		\$ 90,284,624	\$ 80,651,887	\$ (9,632,737)

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Options for Addressing Loss in State Revenue

- Retain a larger portion of the inspection fee by reducing the amount inspection stations receive
- Raise the fee for vehicles still required to receive emission inspection
- Reallocate the portion no longer needed to support telecommunications account
- Allow the program reductions to occur

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**How could the General Assembly
exempt the three newest model
years of vehicles from emission
inspections?**

How the General Assembly can Exempt the Three Newest Model Years Vehicles from Emission Inspections

- Revise General Statute Article 3A of Chapter 20
- Direct revision of administrative rules and the State Implementation Plan
- Implementation of a three-year exemption cannot occur until January 1, 2014

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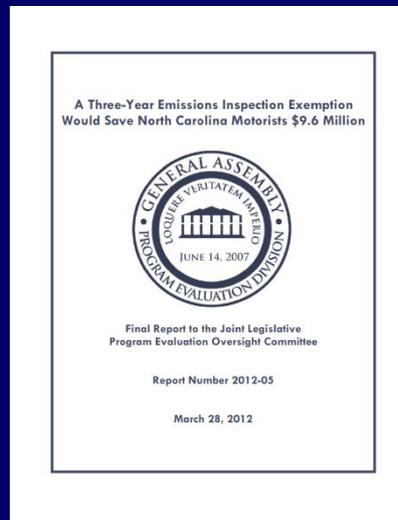
Summary

- DMV/DAQ study found a three-year exemption would not affect the State's adherence to federal air quality standards
- A three-year exemption would save North Carolina motorists \$9.6 million annually but would reduce state revenue by an estimated \$3.2 million
- A three-year exemption will require changes to General Statutes, administrative rules, and the State Implementation Plan and cannot go into effect until January 1, 2014

Legislative Action

This follow-up report makes no
recommendations

**Report available online at
www.ncleg.net/PED/Reports/reports.html**



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