

VIP Fee Increase and Updates 2020

Summary

Rulemaking Advisory Committee Meeting

Sept. 3, 2020

Location: Remote meeting held on Zoom



State of Oregon
Department of
Environmental
Quality

List of attendees

Committee Members

- Margi Bradway, Metro
- Terica Buckner, Hawthorne Auto Clinic
- Mike Christopherson, Pro-Tek Automotive LLC
- Nadège Dubuisson, Multnomah County Health Department
- Morgan Gratz-Weiser, Oregon Environmental Council
- Mary Peveto, Neighbors for Clean Air
- Mike Quilty, Rogue Valley Metropolitan Planning Organization
- Greg Remensperger, Oregon Auto Dealers Association
- Diane Sparks, Oregon Independent Automobile Dealers Association

DEQ Staff

- Karen Williams - Facilitator
- Mike Skorupka
- Doug Hatfield
- Melinda Mahoney
- Matt Davis
- Michael Orman

Summary of Advisory Committee Input

- Vehicle inspection and maintenance provides air quality protection and helps Portland and Medford areas stay in attainment with federal air quality standards.
- The rule will have a fiscal impact by increasing the fee \$4 to \$10 every two years per vehicle for a certificate of compliance.
- The dollar amount of the fiscal impact is small but the breadth of the impact encompasses many individual motorists and businesses.
- Some members had the opinion that the fee increase was reasonable given the fee's price stability for the past 20 years and the benefits to public health.
- Businesses that incur the increased VIP fee, such as auto dealers and those owning vehicle fleets, will likely have to pass the cost on to consumers.
- DEQ should recognize that for a business all seemingly small fee increases add up and must either be absorbed or passed on to consumers.

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DEQ is a leader in restoring, maintaining and enhancing the quality of Oregon's air, land and water.

- Some members felt that encouraging motorists to use DEQ Too participating locations by charging a lower fee for certifications at DEQ Too locations would help small businesses.
- Some members noted that DEQ runs VIP efficiently, effectively, and at a lower cost than inspection and maintenance programs in many other states.

Agenda Item: Welcome and Introductions

The meeting began at approximately 10:40 a.m. after DEQ confirmed that all committee members were present and connected to the meeting on line or over the telephone. Karen Williams, as meeting facilitator, announced that the meeting would be recorded and started the recording. Mike Skorupka, VIP Section Manager, welcomed the committee. DEQ staff and committee members introduced themselves.

Agenda Item: Committee Ground Rules, Purpose, Scope

The facilitator reviewed the meeting norms and conduct and committee members agreed to abide by those rules. The facilitator presented the purpose of the advisory committee: to help DEQ evaluate the fiscal and economic effects from the proposed rule changes on individuals, businesses and small businesses. The facilitator presented the scope of the rulemaking: to encompass only the Vehicle Inspection Program fee increase and updated language about program operations and procedures.

Agenda Item: Presentations on Vehicle Inspection Program Operations and Budget

Karen Williams presented material about VIP's relationship to national air quality standards, Portland and Medford Clean Air Act-required plans, and the program's effectiveness. Doug Hatfield presented material about VIP operations, administration, and services. Melinda Mahoney presented material about DEQ's Air Quality Division budget, VIP's budget, program expenses, and program revenue.

Questions/comments

- Is there revenue coming in from the businesses participating in DEQ Too?

DEQ Response: Yes, DEQ receives revenue from the DEQ Too program from the certification fee – the same fee that motorists pay at the DEQ stations for their certificate of compliance. DEQ does not receive any revenue from any fees that the DEQ Too participating business charges for performing the service.

- When a DEQ Too participating business performs a test, and DEQ receives the \$25 fee for the associated certificate, what is that money used for? That money doesn't go for the host businesses marketing, employee training, overhead, paper products or equipment at the host location. What do the funds go for within the DEQ Too program?

DEQ Response: The certificate fee goes toward operations needed to administer the DEQ Too program as well as other core services that support the various business lines, such as self-service and mobile testing. Operational and administrative costs include: technology system development and maintenance, customer service at the Tech Center, addressing DEQ Too provider technical issues, performing audits and compliance activities, managing online payment systems, contracts and procurement, trainings, and coordinating compliance activities with EPA and other regulators.

- The marketing work DEQ did with DEQ Too providers was back in 2016; does DEQ have plans for more marketing?

DEQ Response: Marketing and communications that may be described as marketing are an important component of DEQ’s service delivery partnership with DEQ Too hosts; public and private messages about DEQ Too need to align and service providers need to submit advertising to DEQ for approval. DEQ has continued to maintain that support as well as DEQ’s own communications about DEQ Too since 2016; one example is communications during the pandemic about DEQ Too being an option for customers to obtain their certificates (when Clean Air Stations were closed). Another example is the work DEQ has done with DMV to include in the official renewal notice, information about DEQ Too as an option for VIP customers.

- Why is there a difference in the cost for a certificate issued through a DEQ Too provider - \$25 - and the cost to fleets - \$5 to \$10 - that perform their own vehicle certifications? How are those funds allocated if they are not going, for example, to materials or training at the DEQ Too provider locations?

DEQ Response: DEQ Too is still a relatively new service line and VIP continues to maintain the core services provided at and before the program’s launch; in 2019, DEQ looked at expenses and revenues and found that costs to administer the program exceed the revenue brought in by the service line. Recall that all DEQ Too tests do not result in the customer being charged a fee – a customer pays only for the certificate of compliance they need for vehicle registration and receive after their vehicle passes the test. DEQ will continue to monitor expenses and revenue from the DEQ Too program and will continue to take that into account in future decisions about fees.

Regarding training – mentioned as one way DEQ allocates its revenue from VIP certifications – DEQ has not provided extensive training to service providers since the launch of the DEQ TOO program. Because testing integrity and compliance are essential, DEQ conveyed they will likely update training requirements for DEQ service providers in the future.

Agenda Item: Presentations on 2019 and 2020 Rulemaking and Proposed Fee Increase

Karen Williams presented the history of the 2019 VIP fee increase and Updates rulemaking, the rules’ approval by the Environmental Quality Commission in November 2019, the 2019 and 2020 Oregon Legislature’s actions, and the May 2020 temporary rulemaking to increase the VIP fee. Melinda Mahoney presented material about the effects on program revenue of a permanent VIP fee increase.

Questions/comments

Committee members did not have questions or comments pertaining to this presentation.

Agenda item: Break.

The Committee took a brief meal break and resumed at approximately 12:15 p.m.

Agenda item: Fiscal Impact Statement Review and Discussion

The facilitator referred committee members to their copies of the draft Fiscal Impact Statement and reviewed DEQ’s preliminary conclusions from the draft FIS.

The facilitator then asked the committee four questions:

- **Will the rule have a fiscal impact?**

Eight committee members conveyed that there would be a fiscal impact in terms of increased cost to consumers and businesses. One committee member stated a preference to listen to others and did not state an opinion about the proposed rules' fiscal impacts. Some members noted that the fee increase would increase DEQ revenue, and would therefore be a positive fiscal impact to DEQ. Two committee members noted the positive fiscal impact of the DEQ VIP processing a large number of the state's vehicle registration renewals, reducing the need for the Division of Motor Vehicles Services to hire more employees.

- **What will be the extent of the fiscal impact?**

Four committee members said they believed the fiscal impacts would be minimal as they amounted to \$2 per year per vehicle. Three committee members characterized the fee increase as a necessary correction and a normal indexing of costs. One member cited the importance of price stability to consumers and noted that VIP had not increased its fee in over 20 years. One committee member noted their experience with customers who have no objection to paying a fee the business charges – and donates to charity – for DEQ Too services and they believed their customers would have no objection to paying an additional \$4 for a VIP certificate of compliance.

Four committee members also conveyed that the positive fiscal impact, in terms of improved air quality and reduced public health costs outweighed the increased cost for a certificate of compliance. Three committee members cited the adverse economic costs of violating federal air quality standards and their belief that VIP was critical to keeping the region in attainment.

Four committee members conveyed that the extent of the fiscal impact would be broad, affecting several hundred businesses, particularly auto dealerships, and lower income consumers. Two committee members cited that the VIP fee increase was one of many fee increases that businesses have had to absorb in recent years, and one committee member cited particularly the vehicle privilege tax, a corporate activities tax, and a business license fee increase; That committee member suggested that DEQ consider reducing expenses by closing one or more testing stations and having DEQ Too locations service more vehicles.

One committee member commented that they saw the used car industry changing and dealers moving to newer cars that do not require VIP certification. Two committee members stated that businesses would likely pass the cost of the fee increase on to consumers.

One committee member commented that the increased fee may be viewed especially negatively because the region had received substantially less transportation funding from the state this year than previous years.

One committee member stated that although they supported the fee increase, they did not think that an across-the-board fee increase was warranted for three reasons: because DEQ had a different fiscal arrangement with fleet owners that do their own vehicle certification, because they believed DEQ's overhead costs would be lower at DEQ Too locations, and because DEQ was proposing an overall lower fee in Medford.

- **Will the rule have a significant adverse impact on small businesses? If so, how can that adverse impact be mitigated?**

Three committee members deferred to other committee members with more knowledge of small businesses.

Two committee members stated they did not believe the fee increase would have a significant adverse effect on small businesses. One committee member encouraged the committee to think about potential economic gains for all businesses, small businesses included, from maintaining compliance with federal air quality standards and how adverse public health costs affect the whole community.

One committee member suggested that if the fee for a certification through a DEQ Too provider was \$20 versus \$25 that would potentially bring more business into that location, which is likely a small business.

One committee member said that all small businesses in the metro area, not just the auto industry and auto shops, are hurting right now, not being able to conduct business like they normally would. Those small businesses may have company vehicles that require certification. DEQ should be sensitive to the times we're in and consider that business owners need to adapt to all costs incurred on a daily basis business and those costs add up.

One committee member cited the lower minimum wage in southern Oregon and how that influences businesses because people have less money to spend. They encouraged DEQ to provide customers the choice of going to a private business to have their car tested for a few dollars less; that would bring more money to local businesses and employ local people without, the committee member stressed, increasing public retirement obligations.

One committee member stated that while the fee increase effect on large businesses would be minimal, they would likely be greater on small businesses. The committee member suggested a potential mitigation could be exempting small business from the fee increase, but noted an increase of \$4 – \$10 every two years is a small impact.

Closing Remarks from Committee Members

One committee member asked DEQ to confirm that the fee increase was in effect and that the committee's decision was about whether to institute a permanent fee increase or let the temporary fee increase expire. DEQ responded that the committee member was correct. The committee member noted that much of the discussion today was about having a financial incentive for motorists to go to private businesses for their vehicle tests, thereby reducing personnel costs for the state, and that such a fee restructuring may be a moot point given the scope of this rulemaking. While the fee increase is small, the fee increase is one of a long list that businesses have to absorb. While absorbing fee increases is becoming more difficult, the member supports the air quality outcomes of VIP as well as the auto industry's continued production of cleaner cars and hybrid and electric vehicle adoption in Oregon.

One member appreciated the cost effectiveness report that DEQ sent for the committee's information. Committee member felt this showed how effective VIP is in maintaining air quality standards and reducing air pollution in Oregon for a cost less than in other states. Committee member noted this second public process around the fee increase came about again only because of the unusual circumstances of the end of the 2020 Legislative session; the committee member felt the fee increase had been thoroughly discussed in 2019 and 2020.

One committee member noted the importance of the vehicle inspection program to Metropolitan Planning Organizations that need to perform Clean Air Act-required transportation conformity determinations. While federal funds related to congestion mitigation are not DEQ's purview, the commenter noted the difficult

conversations with the public about reduced public transportation funds and at the same time asking them to pay a higher fee to reduce air pollution.

One committee member noted VIP's stability, ease of use, positive support from the public, and effectiveness in reducing air pollution. Committee member also noted the large number of registrations DEQ processes for DMV and the associated time savings to the public as well as reduction in public costs.

One committee member noted that DEQ has done well to keep VIP costs low for 20 years and the fee increase now seems minimal compared to the benefits. Perhaps, DEQ Too partners in future could help with DMV registrations and giving out plate tags, like DEQ does now.

One committee member noted that VIP is one of DEQ's most important programs for public health and air quality protection.

Other committee members appreciated being included in the discussion and for having an opportunity to share their thoughts.

The facilitator encouraged committee members and the public listening in to the meeting to participate in the upcoming public comment period, which will take place from approximately mid-September to mid-October.

Meeting adjourned at 1:30 p.m.

Alternative formats

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.state.or.us.