



State of Oregon Department of Environmental Quality

# Vehicle Inspection Program Updates Rulemaking - Draft Fiscal Impact Statement

## Fee Analysis

The Oregon Environmental Quality Commission approval of this rule proposal would increase existing fees. EQC authority to act on the proposed fees is ORS 468A.400.

### Brief description of proposed fees

The cost of each certificate of compliance, including those issued at emission test stations and those issued through self-service and remote procedures will increase by \$4.00, from \$21 to \$25 in the Portland Vehicle Inspection area on July 1, 2019. The cost of each certificate of compliance, including those issued at emission test stations and those issued through self-service and remote procedures in the Medford-Ashland Vehicle Inspection area will increase by \$5.00, (from \$10 to \$15) on July 1, 2019, by \$5.00 (from \$15 to \$20) on July 1, 2021, and by \$5.00 (from \$20 to \$25) on July 1, 2023.

The cost of each Certificate of Compliance issued for on-site testing to an automobile dealership will increase \$4.00, from \$26 to \$30 on July 1, 2019.

### Reasons

DEQ must raise fees to support the Vehicle Inspection Program. Oregon's vehicle inspection and maintenance program, VIP, is a fundamental pollution reduction strategy in DEQ's Clean Air Act required State Implementation Plan. Program expenses have been increasing over the past several biennia because of personnel costs such as cost of living increases, employees' step progression within a salary range, health insurance and other benefits. Program expenses began to exceed program revenue in the 2013 – 2015 biennium. DEQ has not raised the fee for a certificate of compliance since 1997.

The program has been able to continue to cover expenses by using technological advancements, efficiency gains and ending balances from previous biennia. To attain a balanced budget in the 2015-2017 biennia, the program cut 7 full time equivalent positions.

The projected 2019-2021 revenue shortfall is \$4,632,441. The proposed fee increase would sustain the program through June 30, 2025.

### Fee proposal alternatives considered

An alternative to raising the fee is cutting 8 full time equivalent positions. Reducing this number of positions would have adverse impacts on customer service such as increased wait times, reduced ability to respond to public inquiries, and reduced technical support.

## Fee payers

Fee payers affected by these proposed rule revisions and fee increase are motorists, businesses that own vehicles, and auto dealerships participating on-site testing. Private business and public agency fleets pay a fee for each certificate of compliance and a licensing fee, but DEQ is not proposing to revise rules pertaining to private and public agency fleet fees.

## Affected party involvement in fee-setting process

DEQ convened an advisory committee of affected parties to assist DEQ in evaluating the fiscal impacts of the increased fees.

## Summary of impacts

Motorists whose cars are registered in the Portland Vehicle Inspection areas will pay \$4 more than the current fee of \$21, a fee total of \$25, every two years for a certificate of compliance. The \$4 increase in the Portland Vehicle Inspection area will take effect on July 1, 2019.

By July 1, 2023, motorists whose cars are registered in the Medford Vehicle Inspection areas will pay \$15 more than the current fee of \$10, a fee total of \$25, every two years for a certificate of compliance. The \$15 fee increase in Medford will take effect in three \$5 stages, on July 1, 2019, July 1, 2021, and July 1, 2023.

Beginning in July 1, 2019, auto dealerships in the Portland Vehicle Inspection areas participating in on-site testing will pay \$5 more than the Portland area fee for a certificate of compliance, for a total fee of \$30.

## Fee payer agreement with fee proposal

DEQ will not ask fee payers and other stakeholders to agree with the proposal, but will consider advisory committee input and comments received during the public comment period in developing final rule revisions to present to the Environmental Quality Commission.

## How long will the current fee sustain the program?

The current fee will sustain the program through June 30, 2019.

Current Fees		
Program costs covered by fees	\$22,045,944	100%
Program costs covered by General Fund	\$0	0%
Fee Last Changed	1997	

## How long will the proposed fee sustain the program?

DEQ projects that the proposed fee will sustain the program through the 2023 - 2025 biennium.

Proposed Fees		
Expected change in revenue (+/-)	\$4,645,506	20%
Expected effective date	July 1, 2019	

## Transactions and revenue

Biennium	Number of fee payers	Impact on revenue (+/-)	Total revenue (+/-)
Current biennium	1,113,157		\$22,045,944
Next biennium	1,135,704	\$4,645,506	\$26,691,450

## Fee schedule

Cost for a certificate of compliance would increase according to the following schedule:

### Portland Vehicle Inspection Area

\$25 effective July 1, 2019

### Medford Vehicle Inspection Area

\$15 effective July 1, 2019

\$20 effective July 1, 2021

\$25 effective July 1, 2023

### On-site Testing Auto Dealerships

\$30 effective July 1, 2019

## Statement of fiscal and economic impact

### Fiscal and Economic Impact

Increasing fees for vehicle inspection certificates of compliance would benefit DEQ through increased financial support for the Vehicle Inspection Program. The fee change will increase costs for entities that must obtain a certificate of compliance for their vehicles.

### Statement of Cost of Compliance

#### State and federal agencies

DEQ will benefit from this fee increase through increased financial support for the Vehicle Inspection Program. DEQ will not have to reduce 8 full time equivalent staff.

This fee increase will not affect other state or federal agencies because DEQ is not proposing to increase the allowable maximum certificate of compliance fee for public agency fleets. DEQ is not proposing to increase the cost of a license issued to a public agency fleet vehicle inspector.

#### Local governments

For local governments, the fee increase will have no effect because DEQ is not proposing to increase the allowable maximum certificate of compliance fee for public agency fleets. DEQ is not proposing to increase the cost of a license issued to a public agency fleet vehicle inspector.

#### Public

The cost of a certificate of compliance will increase for members of the public and businesses whose vehicles are registered in the Portland and Medford vehicle inspection areas. Entities with vehicles registered in the Portland vehicle inspection area will pay an additional \$4 every two years for a certificate of compliance, beginning on July 1, 2019. Entities with vehicles registered in the Medford vehicle inspection area will pay an additional \$5 every two years beginning on July 1, 2019 and repeating on July 1, 2021 and July 1, 2023.

DEQ does not have data to estimate the fiscal impact on an individual member of the public, but acknowledges that the VIP fee increase may have a greater impact on certain populations. DEQ reviewed vulnerable population information available through U.S. EPA's EJ Screen tool<sup>1</sup> (e.g. low income, minority and over age 64). DEQ reviewed results from areas within a 10-mile radius of four locations within the two VIP boundaries. DEQ assembled these example demographics in the following table.

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<sup>1</sup> <https://ejscreen.epa.gov>

10 mile radius	% low income	% minority	% Over age 64
Medford (Jackson County)	71	48	75
Aloha (Washington County)	42	67	46
Southeast Portland (Multnomah County)	54	60	51
Damascus (Clackamas County)	59	62	54

DEQ does not have data to estimate how an increased fee paid by on-site testing auto dealerships will affect the costs of vehicles. DEQ acknowledges a potential indirect impact on members of the public who purchase vehicles from auto dealerships that participate in mobile on-site testing.

### **Large businesses - businesses with more than 50 employees**

Auto dealerships that participate in the VIP on-site testing program will pay an additional \$4 for each certificate of compliance beginning on July 1, 2019. Approximately 35 dealerships currently participate in the VIP mobile on-site testing program and DEQ estimates fewer than five, if any, of the dealerships are large businesses.

Businesses that own vehicles in the Portland vehicle inspection area – but not licensed to complete vehicle inspection and maintenance testing as a private fleet - will pay an additional \$4 for each certificate of compliance beginning on July 1, 2019.

Businesses that own vehicles in the Medford vehicle inspection area – but not licensed to complete vehicle inspection and maintenance testing as a private fleet - will pay an additional \$5 for each certificate of compliance beginning on July 1, 2019, an additional \$5 beginning on July 1, 2021, and additional \$5 beginning on July 1, 2023.

### **Small businesses – businesses with 50 or fewer employees**

Fiscal effects on small businesses will be identical to large businesses. According to the Oregon Secretary of State Office of Small Business Assistance, 98% of Oregon firms are small businesses and employ over half the state’s workforce. According to the 2018 Small Business Profile for Oregon, published by the U.S. Small Business Administration,<sup>2</sup> small businesses (under the federal definition), provide:

- 59 to 64 percent of employment in Jackson County
- 34 to 59 percent of employment in Clackamas, Multnomah and Washington Counties.

#### **a. Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule.**

Auto dealerships that participate in the VIP on-site testing program will pay an additional \$4 for each certificate of compliance beginning on July 1, 2019. Approximately 35 dealerships

<sup>2</sup> <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-OR.pdf>

currently participate in the VIP mobile on-site testing program and DEQ estimates most or all of those dealerships are small businesses.

**b. Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.**

No additional activities are required to comply with the proposed rules. All businesses that participate in the mobile on-site testing already pay fees for each certificate of compliance.

**c. Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.**

No additional resources are required for compliance with the proposed rules. All businesses that participate in the mobile on-site testing already pay fees for each certificate of compliance.

**d. Describe how DEQ involved small businesses in developing this proposed rule.**

DEQ included small business representatives and representatives from auto dealer associations on the VIP Update Rulemaking Committee that advised DEQ on the cost of compliance for small businesses.

## **Documents relied on for fiscal and economic impact**

DEQ did not rely on any documents to determine the fiscal impact. (revise as necessary after advisory committee)

## **Advisory committee**

DEQ appointed an advisory committee.

As ORS 183.333 requires, DEQ will ask for the committee's recommendations on:

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

The committee will review the draft fiscal and economic impact statement and its findings will be stated in the approved minutes.

## **Housing cost**

As ORS 183.534 requires, DEQ evaluated whether the proposed rules would have an effect on the development cost of a 6,000-square-foot parcel and construction of a 1,200-square-foot detached, single-family dwelling on that parcel. DEQ does not have information to determine if the proposed rule would have an effect on housing development costs.