TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 1782 – SB 2656

March 13, 2018

SUMMARY OF ORIGINAL BILL: Prohibits any county in attainment status with the United States Environmental Protection Agency (EPA) from entering into or renewing a contract for the operation of a vehicle inspection and maintenance program.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – $1,669,000/FY19-20 and Subsequent Years/
Environmental Protection Fund

Decrease Local Revenue – $927,200/Each Year FY19-20 through FY21-22
$3,008,100/FY22-23 and Subsequent Years

Other Fiscal Impact – Prohibiting state and local governmental entities from conducting vehicle inspections will necessitate changes to the state implementation plan under the federal Clean Air Act (CAA). If the Environmental Protection Agency does not approve such plan changes, the state will be out of compliance with federal requirements and could be subject to sanctions under Section 179 of the CCA. In FY17-18, the state received $1,454,683 in federal funding under the CAA.

SUMMARY OF AMENDMENT (014474): Deletes all language after the enacting clause.

Prohibits a vehicle inspection and maintenance program from being employed in the state unless one is mandated under the CAA or a local government that has an air pollution control program in place on the effective date of the proposed legislation authorizes the continuation of the program by action of the local legislative body.

Effectiveness of the proposed legislation occurs 120 days after the date on which the EPA approves a revision of the state implementation plan (SIP) consistent with the proposed legislation or if a contract for inspection service exists on such date, then on the date of expiration or termination of such contract.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – To the extent the Environmental Protection Agency approves a revision to the state implementation plan consistent with the proposed legislation; the proposed legislation will decrease recurring state revenue to the Department of Environment and Conservation by $1,669,000 and will result in a mandatory decrease in local revenue of $972,200. In addition, and to the extent a local government fails to take action to continue an existing inspection and maintenance program, the proposed legislation will decrease permissive local revenue by $2,080,900. The timing of any such imapcts cannot be determined with reasonable certainty.

Assumptions for the bill as amended:

- Currently, Davidson, Hamilton, Rutherford, Sumner, Williamson, and Wilson counties have inspection and maintenance programs (I/M program).
- Davison County contracts with a vendor to perform vehicle inspections. The other counties contract with the Department of Environment and Conservation (TDEC) who then contracts with a vendor.
- The proposed legislation would prohibit any future I/M programs unless the CAA requires such a program under the SIP or unless a local government that has an air pollution control program in place on the effective date of the proposed legislation authorizes the continuation of the program by action of the local legislative body.
- Under TDEC's contract, TDEC receives $2.80 of every inspection fee. TDEC retains $1.80 and transmits $1.00 to the county clerk in the applicable county.
- Data from TDEC shows that in 2017 TDEC collected $1,668,987 in fee revenue from vehicle inspections. TDEC's data shows the following amounts were transmitted to the appropriate county clerks:
    - Hamilton – $286,429;
    - Rutherford – $232,078;
    - Sumner – $126,216;
    - Williamson – $200,782; and
    - Wilson – $81,710.
- Davidson County receives a portion of the inspection fee under its contract. Data provided by TDEC shows that in 2017 Davidson County collected $2,080,900 in fee revenue from vehicle inspections.
- The proposed legislation authorizes a local government that, on the effective date of this act, has a local air pollution control program and implements its own inspection and maintenance program, to continue an existing air pollution control program by implementing its own I/M program if the local governing body takes action to continue such program within 30 days of the effective date of the proposed legislation.
- Because of the general prohibition of operating an inspection and maintenance program, it is assumed that local governments electing to continue an I/M program will not contract with TDEC.

- The effective date of the proposed legislation is set at 120 days after the EPA approves a revision to the SIP consistent with the proposed legislation.
- To the extent the EPA approves such a revision; the proposed legislation will decrease recurring state revenue to TDEC by $1,668,987 and recurring local revenue by $972,215 ($286,429 + $232,078 + $126,216 + $200,782 + $81,710).
- The proposed legislation authorizes a local government to continue an I/M program existing on the effective date of the proposed legislation. To the extent a local government fails to continue such a program, the proposed legislation will decrease permissive local revenue by an additional $2,080,900.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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