

January 5, 2001

The Honorable Fountain Odom and
The Honorable Pryor Gibson, Co-Chairmen
Environmental Review Commission
General Assembly of North Carolina
Raleigh, North Carolina 27601

Re: Appropriate fees for on board diagnostic (OBD) vehicle emission inspections

Dear Senator Odom and Representative Gibson:

Thank you for the opportunity to update members of the Environmental Review Commission on North Carolina's progress in reducing emissions of ozone-forming nitrogen oxides (NO_x) and other air pollutants on November 28, 2000. The Department of Environment and Natural Resources commends the General Assembly for enacting the landmark Ambient Air Quality Improvement Act of 1999, as amended by the Clean Air Act Amendments of 2000, sponsored by Senator Brad Miller, Representative Joe Hackney and others.

The Ambient Air Quality Improvement Act requires on-board diagnostic (OBD) emission testing of gasoline powered cars and trucks beginning in 2002 in nine counties. OBD tests will be expanded to include 48 counties and about 80 percent of the gasoline powered vehicles in the state by 2006. The Division of Air Quality estimates that OBD will reduce NO_x emissions in North Carolina by 4385 tons during the 2007 ozone season.

DENR strongly recommends that the ERC recommend and the 2001 General Assembly enact an appropriate and fair fee for the OBD test.

Inspection stations are unlikely to perform OBD tests until a fee has been established. Failure to set a fee in 2001 so that OBD testing can begin would require the Environmental Management Commission to require additional reductions of 4385 tons of NO_x from power plants and industrial boilers to comply with the U.S. Environmental Protection Agency's NO_x SIP Call and would undermine our efforts to attain the state and national health based standards for ozone and other air pollutants.

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DENR would like to continue working with the ERC, Division of Motor Vehicles, the service station industry, environmental organizations, and other stakeholders to develop an appropriate fee for the OBD test. Testing vehicle emissions, cleaner low sulfur gasoline, stricter national tailpipe standards, alternative fuels, transit, smarter growth, controls on power plants, energy efficiency, and other measures are all essential to reduce air pollution, to protect public health and the environment and to sustain our economy during this era of rapid growth.

The fee needs to address several concerns. First, it must be affordable for the motorists of the state. Second, it must adequately cover the capital and operating costs for the inspection station owners and provide them with a reasonable profit. Third, it must cover the costs incurred by the Division of Motor Vehicles and the Division of Air Quality. Those costs include oversight, training, public education, and outreach.

The OBD test is the most environmentally effective, affordable, and convenient vehicle emissions test. DENR believes that North Carolinians will support the test and fee if they understand the health, environmental and economic benefits just as they have supported recycling measures, and stricter drinking water and wastewater requirements.

DENR strongly recommends that the General Assembly raise fees in 2001 to provide \$1 million to the Division of Air Quality for public education and outreach to launch the program in the first nine counties. Expansion of the effective NC Air Awareness program with the cooperation of local governments, businesses and industries, and health and environmental organizations will educate the public about the health, environmental and economic benefits of vehicle inspections and other measures. Additional funds for public education will be needed to support expansion of the program to other counties. The program will not succeed without a major and ongoing public education and outreach campaign. Georgia has spent over \$10 million on its education campaign in the Atlanta metropolitan area.

DENR also recommends that the General Assembly also raise fees in 2001 to provide \$3 million to DAQ and the Division of Motor Vehicles to train repair technicians at community colleges, to hire and train existing and new DMV inspectors, and to provide car care clinics for the public. Trained technicians and inspectors are essential to an effective and convenient program. DAQ and DMV have been working with the community college system to meet these training needs.

The current vehicle emission/safety inspection fee established in 1993 includes \$17.00 to the inspection station, \$1.80 to DMV, \$0.15 to the volunteer rescue/EMS fund, \$0.10 to the rescue squad workers' relief fund, and \$0.35 to DAQ for a total of \$19.40 per inspection.

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DENR first recommends an increase in the statewide safety only inspection fee of \$1.00 to finance the DAQ, DMV, and community college system's public education, technician training, inspector training, and other programs that reduce emissions from mobile sources. DENR supports this increase because the current safety inspection program includes a visual inspection of the exhaust and emissions control devices and because all vehicles contribute to the state's air pollution problems. DENR supports maintaining the safety only inspection program in 52 counties as one of our many policies to reduce air pollution.

DENR recommends an increase in the emissions/safety fees from \$0.35 to \$1.00 for the Division of Air Quality to continue and expand the NC Air Awareness Program, to continue and expand monitoring and research, and to improve and integrate air quality and transportation planning.

DENR supports the Division of Motor Vehicles request to increase their portion of the emissions/safety fee from \$1.80 to \$3.85 to retain and hire inspectors and administer the emissions/safety inspection program.

DENR supports an increase in the emissions/safety fees for inspection stations. DENR recommends that the inspection stations, DAQ, DMV, Fiscal Research, and other stakeholders work together to recommend an appropriate and fair fee for inspection stations.

Inspection stations in the first nine counties will perform both OBD tests and the current idle tests and will need revenues and higher fees to cover the costs of operating both tests. Inspection stations in the next 39 counties will only perform OBD tests which will be less expensive and will need lower fees. DENR supports a uniform fee for all 48 counties and recommends that the difference between the idle/OBD fee and the OBD fee be dedicated to a Clean Air Trust Fund, similar to the Clean Water Management Trust Fund, to provide incentives to local governments, businesses and industries to reduce air pollution. DENR supports phasing out the idle test over the next 5 years.

Stationary sources of air pollution such as power plants, industrial boilers, and other industries pay most of their costs for Division of Air Quality monitoring, inspections, technical assistance, and training through permit fees. DENR supports a modest increase in air permit fees from stationary sources to maintain an effective program. Stationary sources emit about half of the air pollutants in North Carolina. The Division of Air Quality must have adequate funding to address the other half of our air pollution problem. Vehicle miles traveled is growing much faster than North Carolina's population.

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DENR looks forward to working with the ERC and others to develop and implement an effective vehicle emission testing program. Please contact Brock Nicholson with the Division of Air Quality if you have any questions or need more information.

Thank you for your consideration.

Sincerely,

Bill Holman

cc: The Honorable David McCoy
Commissioner Janice Faulkner
The Honorable Joe Hackney
The Honorable Brad Miller