

**FINAL DRAFT****Fiscal Note**

- Rule Topic:** Exemption of Certain Motor Vehicles from Emission Inspections (517)
- Rule Citation:** 15A NCAC 02D .1002 *Applicability*,  
15A NCAC 02D .1003 *Definitions*,  
15A NCAC 02D .1005 *On-Board Diagnostic Standards*  
15A NCAC 02D .1006 *Sale and Service of Analyzers*  
15A NCAC 02D .1009 *Model Year 2008 and Subsequent Model Year Heavy-Duty Diesel Vehicle Requirements*
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- Impact Summary:** State government: Yes  
Local government: Yes  
Substantial impact: Yes  
Federal government: No
- Authority:** G.S. 20-128.2(a); G.S. 20-183.2(b); 143-215.3(a)(1); 143-215.107(a)(3),(4),(6),(7); 143-215.107A; 143-215.108
- Necessity:** In response to statutory revisions in North Carolina Session Law 2012-199, the Division of Air Quality (DAQ) is proposing changes to its emission inspections rules. In the existing rule, only the current model year vehicles are excluded from emission inspections in the 48 counties required to have an emission inspection program under federal or State rules. The revised statute excludes from emissions inspections those vehicles in the three most recent model years with less than 70,000 miles on the odometer. Several additional minor housekeeping rule amendments are proposed to clarify definitions. Also, DAQ recommends repealing rule .1009 and relying solely on the federal heavy-duty engine standards rules. This is based on the fact that the California rule referenced in rule .1009 is equivalent to the EPA Heavy Duty Diesel (HDD) regulations and EPA did not delay or relax their HDD rules. NC General Statute 150B-19.3 stipulates that a State agency may not adopt a rule for environmental protection that imposes a more restrictive standard than that imposed by federal law.

**FINAL DRAFT****I. Executive Summary**

The purpose of this document is to conduct an evaluation of the costs and benefits associated with changes and revisions to the DAQ rules on motor vehicles emission inspections in the 48 counties required to have those inspections under State or federal rules. The new statute will amend the current rule's exclusion of the current model year for emission inspection to exclude vehicles of the three most recent model years with less than 70,000 miles on its odometer. This change directly involves amending four rules:

- 15A NCAC 02D .1002, Applicability;
- 15A NCAC 02D .1003, Definitions;
- 15A NCAC 02D .1005, On-Board Diagnostic Standards; and
- 15A NCAC 02D .1006, Sale and Service of Analyzers (see proposed changes in Appendix A).

These four rules establish and define which vehicles are subject to the Motor Vehicle Emission Control Standard and which analyzers are suitable for conducting the emission inspections.

In addition, this change involves minor housekeeping amendments and the repealing a rule – 15A NCAC 02D .1009, Model Year 2008 and Subsequent Model Year Heavy-Duty Diesel Vehicle Requirements. This rule establishes heavy-duty diesel vehicle requirements for 2008 and more recent model years referencing regulations from California instead of regulations from EPA. None of these minor changes have any additional impact.

Table 1, Estimated Fiscal Impacts of the Proposed Amendments, shows the fiscal impacts of exempting the second and third model year vehicles which are estimated to be \$6.7 million during the last half of State Fiscal Year (SFY) ending on June 30, 2014. The full impacts are realized in SFY-2015 and SFY-2016, reaching \$14.0 million and \$14.6 million, respectively, due to a projected 2.8% annual growth on the number of vehicles affected. Owners of vehicles benefit from cost savings that are equally offset by the combined revenue losses by State government agencies and private sector impacts on owners of inspection stations. If station owners are required to purchase software upgrades to implement the rule changes, there could be an additional one-time expenditure of \$990,000 paid by the 4,550 station owners (about \$180 for the typical station) and \$200,000 paid by DMV. Other optional paths to implement the rule changes would not entail any additional one-time expenditure to station owners.

The net present value of these fiscal impacts of these proposed amendments are estimated to equal \$30,155,000 over the initial three year period of this analysis. These rule amendments cause substantial economic impacts, as defined in the Administrative Procedures Act in N.C.G.S. 150B-21.4, meaning that the estimated impacts exceed \$500,000 in any calendar year.

**FINAL DRAFT****Table 1. Estimated Fiscal Impacts of the Proposed Amendments\***

	<b>SFY-2014 (Jan.-Jun.)</b>	<b>SFY-2015</b>	<b>SFY-2016</b>
<b>Vehicles in 2nd &amp; 3rd Model Year</b>	405,500	846,000	883,000
DAQ Impacts	-\$264,000	-\$550,000	-\$574,000
+ DMV Emission Program Account	-\$1,216,000	-\$2,538,000	-\$2,648,000
+ DMV Telecommunications Account	-\$710,000	-\$1,480,000	-\$1,545,000
= Total North Carolina Agency Impacts	-\$2,190,000	-\$4,568,000	-\$4,767,000
+ Inspection Station Owners Impacts	-\$4,461,000	-\$9,306,000	-\$9,714,000
<b>= Total Revenue + Receipts Impacts**</b>	<b>-\$6,651,000</b>	<b>-\$13,874,000</b>	<b>-\$14,481,000</b>
State Motor Fleet Savings	\$21,000	\$43,000	\$45,000
+ Local Government Motor Fleet Savings	\$39,000	\$81,000	\$83,000
+ Private Vehicle Owner Savings	\$6,591,000	\$13,750,000	\$14,353,000
<b>= Total Vehicle Owners Savings**</b>	<b>\$6,651,000</b>	<b>\$13,874,000</b>	<b>\$14,481,000</b>

\* The table excludes the one-time cost to station owners (total of \$990,000) and DMV (\$200,000) for potentially needed station software upgrades to implement the proposed exemption. These costs may be borne by the vendors of analyzers used to perform the emission inspection or even DMV.

\*\*Total revenues to emission inspection station owners plus State government receipts equal the savings experienced by vehicle owner due to the proposed exemptions.

**II. Background**

The federal Clean Air Act (CAA), as amended, established National Ambient Air Quality Standards (NAAQS) for the following criteria pollutants: carbon monoxide, lead, ozone, nitrogen dioxide, particulate matter and sulfur dioxide. The North Carolina vehicle inspection and maintenance (I&M) program started in 1982 with Mecklenburg County being required to have an emission inspection program to address violations of the carbon monoxide NAAQS. In 1984, Wake County was added to the program for carbon monoxide NAAQS violations. With the passage of the 1990 CAA Amendments, seven other Counties (Cabarrus, Durham, Forsyth, Gaston, Guilford, Orange and Union) were added to the emission inspection program to address violations of the 1-hour ozone and/or carbon monoxide standards. Under the 1997 8-hour ozone standard, the Charlotte/Gastonia/Rock Hill area was designated as a moderate nonattainment area. Senate Bill 953 (Session Law 1999-328) required an additional 39 counties to have the vehicle emission program in order to improve air quality statewide. These counties were added to the program based on population, vehicle miles traveled, and the likely contribution by motor vehicles to high ozone levels in these counties and nearby counties. This expanded the program to a total of 48 counties.

The initial emission inspection program in North Carolina was based on a “tail-pipe” test. The test was administered by inserting a probe in the vehicle’s tail-pipe and measuring the emissions of the pollutants. The tail-pipe test measured carbon monoxide and total hydrocarbon emissions. The test

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could not identify the emission-related component that was malfunctioning, nor could it measure emissions of nitrogen oxides, which is a key precursor to ozone formation.

Starting in October 2002, inspection stations in the original nine counties converted from tailpipe testing to the new On-Board Diagnostic II (OBD) emission testing for all 1996 and newer light duty gasoline vehicles. The program continued to expand until January 1, 2006, at which time inspection stations in 48 counties were performing the OBD emission test on all 1996 and newer light duty gasoline vehicles. Once the program was fully implemented, tail-pipe testing for vehicles older than 1996 was discontinued. Model year 1996 and newer vehicles have standardized computer systems that continually monitor the electronic sensors of engines and emission control system parameters. When a potential problem is detected, a dashboard warning light is illuminated to alert the driver. An OBD system detects a problem well before symptoms such as poor performance, high emissions or poor fuel economy are recognized by the driver. An OBD emission test provides a more timely and comprehensive picture of a vehicle's emission status because it continuously evaluates emission performance during operation, whereas a tail-pipe test measures emissions only for a few moments once a year. Early detection helps to avoid costly repairs and improves engine and emission performance.

In 2008, North Carolina began the electronic authorization program. This program replaced the paper stickers that had been placed on vehicle windshields by inspection stations with electronic authorizations. The electronic authorization program also synchronized the vehicle registration renewal date with the vehicle inspection renewal date. A safety only inspection is required for all vehicles less than 35 years old. A vehicle that qualifies for an emission waiver may have their registration renewed after passing the safety equipment portion of the inspection and receiving a waiver for the OBD portion. The Department of Transportation (DOT) Division of Motor Vehicles (DMV) had contracted with Verizon Business to manage the Vehicle Inspection Database (VID). In April 2012 the DMV signed a contract with Systech International (now Opus Inspection) to serve as the State's new VID program vendor and to enhance its functionality. This new system will allow for real time data transfer between the inspection stations, the VID and the DMV's vehicle registration database, thus minimizing wait time for vehicle registration issuance and renewals.

The rule amendments discussed in this analysis are necessary to comply with the new Session Law 2012-199 statute that reduces the regulatory burden on many vehicle owners while meeting federal air quality standards. The DMV and DAQ jointly led a study per Session law 2011-145 to examine exempting vehicles from the emission inspection requirements under G.S. 20-183.2(b) for the three newest model year vehicles. As part of this study, DAQ in coordination with the DMV evaluated the potential impacts of exempting these motor vehicles on emission levels and air quality and determined that the exemption would not have a negative effect on air quality or on EPA accepting the State Implementation Plan (SIP) revision. Despite a slight emission increase from the inspection exemption, DAQ modeling showed that the offsetting emission effects of a higher compliance rate were stronger, the net result having a positive effect on air quality. A higher compliance rate than in previous modeling was assumed because recent data shows a higher rate has been achieved since the 2008

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statute started the electronic authorization program. The results of the joint DMV and DAQ study<sup>1</sup> were contained in a report with a recommendation to exempt the three newest model year vehicles from emission inspections and for the State to adjust compliance rate targets in the SIP to make up for the projected deficit in emission reductions.

The January 2014 effective date of this legislation is structured to allow the DMV the time needed to recode its software to properly reflect the change in legislation. Additionally, it is important that the State submit to EPA the appropriate SIP revisions addressing any legislative change in the program prior to implementation of the amendment. The effective date would allow DAQ to submit the revisions demonstrating that no net increase in certain pollutants would result from 16 percent of the baseline number of vehicles being exempt from emission inspections since this would be offset by a higher compliance rate. Recent data shows a higher compliance rate than what is stated in the current SIP has been achieved since the electronic authorization program and synchronized vehicle registration and inspection renewal dates started in 2008. As a result, the State could move forward with the proposed three most recent model years exemption without losing eligibility to secure federal transportation funds.

### **III. Description of Existing Rules**

15A NCAC 02D .1002, *Applicability*. This rule defines the trigger mechanisms for *which* specific vehicles (*i.e.*, current model year) are subject to the Motor Vehicle Emission Control Standard in the 48 counties specified in G.S. 143-215.107A. Those subject are gasoline-powered motor vehicles, except motorcycles and excluding the current model year, that are:

- (1) required to be registered by the DMV in the 48 designated counties;
- (2) part of a fleet primarily operated within the 48 counties; or
- (3) operated on a federal installation located in one of the 48 counties.

15A NCAC 02D .1003, *Definitions*. This rule defines the key terms, but the previous version did not include all the terminology with corresponding definitions for the related new rule and available types of motor vehicles (*i.e.*, hybrids, and the different types of electric vehicles), which are added in the rule change.

15A NCAC 02D .1005, *On-Board Diagnostic Standards*. This rule defines *what* the requirements are for the vehicles subject to emission inspection and those performing the inspection. The standards are:

1. pass the on-board diagnostic test as prescribed in 40 CFR 85.2207,
2. use equipment meeting the performance warranty tests in 40 CFR 85.2231, and
3. report the test results to DAQ satisfying the computerized system and data analysis requirements specified in 40 CFR 51.358, 51.365, and 51.366.

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<sup>1</sup> DOT/DMV and DENR/DAQ, "A Study of the Potential Impacts of Exempting Motor Vehicles from Emissions Inspections," March 1, 2012, submitted pursuant to the requirement of Section 28.24(a) of Session Law 2011-145. [http://www.ncleg.net/PED/Reports/documents/Emissions/Emissions\\_Report.pdf](http://www.ncleg.net/PED/Reports/documents/Emissions/Emissions_Report.pdf)

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15A NCAC 02D .1006, *Sale and Service of Analyzers*. This rule defines *what* the performance requirements are for the analyzer hardware and software responsible for conducting the emissions inspections and communicating the results on the identified vehicles to government officials.

15A NCAC 02D .1009, *Model Year 2008 and Subsequent Model Year Heavy-Duty Diesel Vehicle Requirements*. This rule establishes heavy-duty diesel (HDD) vehicle requirements for 2008 and more recent model years referencing a regulation from California. DAQ adopted the California on-road heavy-duty diesel (HDD) regulations by reference in 2004 as a backstop in case the U.S. EPA delayed or relaxed their HDD regulations. Given that EPA did not delay or relax their HDD regulations and the California rule is equivalent to and duplicative of EPA HDD rules, DAQ recommends eliminating the 02D .1009 Rule.

**IV. Motivation for the Proposed Rules**

The motivation for the Session Law 2012-199 statute and the ensuing proposed rule is to reduce the economic impact of environmental rules while not interfering with the State's ability to attain federal air standards, resulting in loss of future federal transportation funding. Session Law 2011-145 required DMV and DAQ to investigate and report on the feasibility of extending the current one-year exemption to three-years. The agencies:

- Reported that while North Carolina only exempts the current model year, 22 other State and local governments have laws granting multi-year exemptions (up to 6 years) for the on-board diagnostic standards meeting EPA approval;
- Produced scientific findings that the exemptions would maintain EPA air quality standards; and
- Determined the fiscal impacts resulting from the extended exemptions for vehicle owners, inspection stations, and State government agencies.<sup>2</sup>

**V. Identification of the Affected Sources**

Affected sources will be the owners of vehicles of the second and third most recent model years with less than 70,000 miles in the 48 counties specified in G.S. 143-215.107A. Vehicle documentation and records are kept systematically by DMV, as each vehicle must have a registration card, license plate, and annual safety inspection with the odometer mileage recorded. Within a given calendar year there are two vehicle model years, as manufacturers are allowed and always issue a new model year sometime after January 2 for a given year. The model year and the actual calendar year of production do not always coincide for motor vehicles. In the United States, government authorities allow cars of a given model year to be sold starting on January 2 of the previous calendar year. For example, this means that a 2013 model year vehicle can legally go on sale on January 2, 2012.

Table 2 below provides a projection of the number of vehicles in North Carolina that would be subject to the emission inspection under the current rules and the number of vehicles subject with the enactment of the proposed exemption. The information in Table 2 was derived based on a detailed

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<sup>2</sup> Ibid.

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national annual growth trend forecast from the US EPA MOVES2010 model.<sup>3</sup> National annual growth trends of roughly 2.8 percent in vehicles of model year 1996 or more recent, excluding the current model year, was used to predict the subject vehicle numbers in North Carolina in the period of interest, 2014 – 2016. Vehicle age distributions were also obtained from the EPA MOVES2010 model to estimate the fraction of first model year. Those fractions were applied to the projected number of NC vehicles after an adjustment for vehicles with more than 70,000 miles was made. For this analysis, one percent of the second most recent model year and five percent of the third most recent model year are assumed to exceed the 70,000 mile limit on eligibility for the exemption based on 2011 DMV data.

**Table 2. Baseline and Additional Vehicles Exempted under the Revised Statute**

<b>State Fiscal Year</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Baseline Number of Vehicles Subject to Emissions Inspection	5,186,000	5,327,000	5,477,000
Percent change from baseline due to proposal to exempt 2 <sup>nd</sup> and 3 <sup>rd</sup> Model Years with less than 70,000 miles	15.64%	15.88%	16.11%
<b>Exempted 2<sup>nd</sup> and 3<sup>rd</sup> Model Year Vehicles</b>	<b>811,000</b>	<b>846,000</b>	<b>883,000</b>
Resulting Number of Vehicles Subject to Emissions Inspection with exemption	4,375,000	4,481,000	4,594,000

During the next year the DMV has plans to recode its software to reflect the change in DAQ rules required by recent legislation. The software change will identify the affected vehicles of the three most recent model years with less than 70,000 miles, instead of only the current model year independent of mileage, in the designated 48 counties.

**VI. Establishment of the Regulatory Baseline**

This section presents what the revenues and costs to affected parties would have been without the exemption for second and third most recent model year vehicles. Under the current rules, only the current model year vehicles within a calendar year in the designated 48 counties are exempt from the OBD inspection for emission control standards. For example, in the 2011 calendar year, any new vehicles that have not been previously titled by DMV receive a safety-only inspection prior to sale in the 48 designated emission counties.

For owners of vehicles subject to the rules, an emission and safety inspection costs up to \$30, while a safety-only inspection costs \$13.60. Table 3, Cost Breakdown for Vehicle Emission and Safety Inspection, delineates the inspection station cost and various government fee components in the vehicle emission and safety inspections.

<sup>3</sup> US EPA MOVES2010 Model.

<http://www.epa.gov/otaq/models/moves/tools/MOVES2010DefaultAgeDistributions20100209.xls>

**FINAL DRAFT****Table 3. Cost Breakdown for Vehicle Emission and Safety Inspection**

<b>1. Emission Inspection</b>	<b>Fee</b>	<b>Cost</b>	<b>Sub-total</b>
- Emission Program Account (DMV)	\$3.00		
- Telecommunications Account (DMV)	\$1.75		
- Division of Air Quality (DENR)	<u>\$0.65</u>		
Fee Sub-total	\$5.40		
Emission Inspection Cost		\$11.00	
<b>Emission Inspection Sub-total (maximum allowed)</b>			<b>\$16.40</b>
<b>2. Safety Inspection</b>			
- Highway Fund (DMV)	\$0.55		
- Volunteer Rescue/EMS Fund	\$0.18		
- Rescue Squad Workers' Relief Fund	<u>\$0.12</u>		
Fee Sub-total	\$0.85		
Safety Inspection		\$12.75	
<b>Safety Inspection Sub-total</b>			<b>\$13.60</b>
<b>Total Government Agencies Fee Revenue</b>	<b>\$6.25</b>		
<b>Total Inspection Stations Revenue</b>		<b>\$23.75</b>	
<b>TOTAL INSPECTION COST TO VEHICLE OWNERS</b>			<b>\$30.00</b>

Table 4, Baseline Revenue and Expenditures from Emission Inspections, presents receipt projections from emission inspections for the affected State agencies, DAQ and DMV, based on the projected number of vehicles that would have been subject to inspection under the current rules (see column two of Table 2). The table also includes the baseline projections for inspection station owners and owners of vehicles, including state and local governments, subject to emission inspections.

**Table 4. Baseline Revenue and Expenditures from Emission Inspections**

<b>Baseline Revenue and Expenditures</b>	<b>SFY-2014 (Jan.-Jun.)</b>	<b>SFY-2015</b>	<b>SFY-2016</b>
Vehicles Subject to Emission Inspections	2,593,000	5,327,000	5,477,000
DAQ Emission Inspection Receipts	\$1,685,000	\$3,463,000	\$3,560,000
+ DMV Emission Program Account	\$7,779,000	\$15,981,000	\$16,431,000
+ DMV Telecommunications Account	\$4,538,000	\$9,322,000	\$9,585,000
<b>= Total State Agency Receipts</b>	<b>\$14,002,000</b>	<b>\$28,766,000</b>	<b>\$29,576,000</b>
<b>+ Inspection Station Revenue</b>	<b>\$28,523,000</b>	<b>\$58,597,000</b>	<b>\$60,247,000</b>
<b>= Total Receipts + Revenues</b>	<b>\$42,525,000</b>	<b>\$87,363,000</b>	<b>\$89,823,000</b>
<b>Vehicle Owner Expenditures</b>	<b>-\$42,525,000</b>	<b>-\$87,363,000</b>	<b>-\$89,823,000</b>

**FINAL DRAFT****VII. Changes from the Baseline: Estimate Impacts to the Existing Affected Sources**

Under the existing rule, only the current model year vehicles are exempt from emission inspection amounting to roughly 97,000 vehicles for calendar year 2012. The changes from the baseline include the number of the second and third most recent model year vehicles being exempted from emission inspections, and are presented in Table 2 for State fiscal year (SFY) 2014, 2015, and 2016.

Table 5, Changes from Baseline Revenue and Expenditures, presents the projections for the changes in the receipts from the emission inspections to affected State agencies, inspection station owners, and owners of vehicles subject to emission inspections, which includes private owners as well as state and local governments. Based on current size of State and local government motor fleets, the estimates in the Table 5 below assume that there would be about 1,250 in SFY-2014, 2,600 in SFY-2015 and 2,700 in SFY-2016 vehicles in the State motor fleet and 2,400 in SFY-2014, 4,900 in SFY-2015 and 5,100 in SFY-2016 vehicles in the local government motor fleet due to the vehicles exempted under the proposed rule during the period of this analysis. There is limited available data on the future makeup of local government owned vehicles, therefore the assumption was made that the current ratio of about 12 percent of State owned vehicle that are in the second and third model year to the fleet size would hold for the next few years. Additionally, it was assumed that only 93 percent of the State and local government motor fleets are subject to emission inspections and that this percentage would stay constant over the next few years. This percentage comes from a report by the North Carolina Solar Center's Clean Transportation Program<sup>4</sup> regarding the share of State's motor fleet that is fueled by gasoline.

**Table 5. Changes from the Baseline Revenue and Expenditures with Proposed Exemption**

<b>Changes from the Baseline</b>	<b>SFY-2014 (Jan.-Jun.)</b>	<b>SFY-2015</b>	<b>SFY-2016</b>
<b>Vehicles in 2nd &amp; 3rd Model Year</b>	405,500	846,000	883,000
DAQ Impacts	-\$264,000	-\$550,000	-\$574,000
+ DMV - Emission Program Account	-\$1,216,000	-\$2,538,000	-\$2,648,000
+ DMV - Telecommunications Account	-\$710,000	-\$1,480,000	-\$1,545,000
<b>= Total North Carolina Agency Impacts</b>	<b>-\$2,190,000</b>	<b>-\$4,568,000</b>	<b>-\$4,767,000</b>
<b>+ Inspection Station Owners Impacts</b>	<b>-\$4,461,000</b>	<b>-\$9,306,000</b>	<b>-\$9,714,000</b>
<b>= Total Revenue + Receipts Impacts*</b>	<b>-\$6,651,000</b>	<b>-\$13,874,000</b>	<b>-\$14,481,000</b>
State Motor Fleet Savings	\$21,000	\$43,000	\$45,000
+ Local Government Motor Fleet Savings	\$39,000	\$81,000	\$83,000
+ Private Vehicle Owner Savings	\$6,591,000	\$13,750,000	\$14,353,000
<b>= Total Vehicle Owners Savings*</b>	<b>\$6,651,000</b>	<b>\$13,874,000</b>	<b>\$14,481,000</b>

\* Numbers may not add up due to rounding.

<sup>4</sup> NC State University, North Carolina Solar Center. "North Carolina FY 2011-2012 Petroleum Displacement Program Report." Available at: [http://ncsc.ncsu.edu/wp-content/uploads/FY11-12-PDP-Annual-Report\\_final-draft-9\\_27\\_12.pdf](http://ncsc.ncsu.edu/wp-content/uploads/FY11-12-PDP-Annual-Report_final-draft-9_27_12.pdf)

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Table 6, Net Present Value of the Impacts, calculates the net present value of the impacts to be \$30,155,000 during the initial three years of implementation of these proposed amendments, using a seven percent discount rate.

**Table 6. Net Present Value of the Impacts\***

<b>Affected Parties</b>	<b>Net Present Value</b>
+ DAQ Impacts	-\$1,196,000
+ DMV - Emission Program Account	-\$5,515,000
+ DMV - Telecommunications Account	<u>-\$3,217,000</u>
= <b>Total North Carolina Agency Impacts</b>	-\$9,928,000
+ Inspection Station Owners Impacts	<u>-\$20,227,000</u>
= Total Revenue + Receipts Impacts*	-\$30,155,000
State Motor Fleet Savings	\$94,000
+ Local Government Motor Fleet Savings	\$175,000
+ Private Vehicle Owner Savings	<u>\$29,886,000</u>
= Total Vehicle Owners Savings*	\$30,155,000

\*Assumes a 7% discount rate on fiscal impacts, over the initial 3 State fiscal years.

**Revenue Losses**

As shown in Table 5 above, the combined revenue losses for the State government agencies are estimated to be nearly \$2.2 million during the last half of SFY 2014. The full impacts are realized in SFY-2015 and SFY-2016, reaching \$4.6 million and \$4.8 million, respectively. The two DMV accounts (emission program and telecommunication accounts) would bear most of the losses with \$1.9 million during the last half of SFY-2014. The full impacts are realized in SFY-2015 and SFY-2016, reaching \$4.0 million and \$4.2 million, respectively.

Private sector revenue losses for all the inspection station owners in the 48 counties are estimated to be \$4.5 million during the last half of SFY 2014 and reaching \$9.3 million and \$9.7 million in the following two years, respectively.

There is no guarantee that a VID software update or analyzer software changes are necessary. An on-line application is presently being explored by DMV with OPUS Inspection (previously Systech International) that would allow for software updates and negate the need for an individual analyzer software update. This online application would eliminate future need and associated cost with analyzer updates. These new enhancements will not only benefit the State by reducing administrative costs, but they will minimize the financial impact currently placed on inspection station owners. These enhancements will be recognized through the implementation of a web based solution to eliminate the need for inspection stations to own specific analyzers, maintain costly service contracts and dedicated phone lines for dial up connections.

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However, in the event that analyzer updates are considered necessary, the estimate for the emission inspection software upgrades according to the seven vendors of analyzers could be a one-time expenditure of roughly \$990,000 paid by the 4,550 station owners resulting in a roughly \$180 cost per analyzer. Software upgrades to the VID could also add a one-time cost to DMV of roughly \$200,000, according to information obtained from DMV. There are less than 5,600 analyzers that could require software modification and over 80 percent of inspection stations only have one. The vendors estimated weighted-average software upgrade cost ranges from \$160 to \$190.

There is also uncertainty regarding who would actually pay for the upgrades. The current North Carolina Analyzer Specification (NCAS) states that inspection station owners may have to purchase software upgrades directly from the analyzer vendors when initiated due to a statutory change, which suggests the stations would bear the cost. However, there are several requirements of vendors in 15A NCAC 02D .1006, *Sale and Service of Analyzers*, that in the past have created business decisions by vendors to waive the software upgrade costs to inspection stations. The current rule .1006, defines “vendor” to mean “any person who sells or leases equipment to inspection stations that is used to measure emissions from motor vehicles for the purpose of showing compliance with Rule [15A NCAC 02D .1004] or that is used to perform on-board diagnostic tests to show compliance with Rule [15A NCAC 02D.1005].”<sup>5</sup> Rule .1006 states in the current paragraph (b), Requirements, that a vendor shall not sell or lease equipment unless it meets the requirements of 40 CFR 85.2231 On-board Diagnostic Test Equipment Requirements, and has the software necessary to record and transmit the data required by the Division of Motor Vehicles and the Division of Air Quality to determine compliance with the inspection/ maintenance program requirements. In effect, if the software for their analyzer is not meeting the requirements, then they are no longer legitimate vendors.

Although the estimates show revenue losses to State government, the DAQ expects to be able to absorb these losses, primarily as a result of offsetting these losses through the growth in the number of vehicles subject to emission inspections. Figures 1 and 2 below illustrate this point by showing that the baseline receipts to State agencies and inspection stations in fiscal year 2011 change little from the forecasted level of receipts once the changes are in place. The point that DAQ could absorb the estimated losses is further illustrated in Appendix B, Revenue and Expenditure Data and Projections for State Fiscal Years 2011 – 2016, which presents a time series of these revenue and expenditure estimates used in this analysis from 2011 to 2016.

Figure 1, DMV and DAQ Annual Receipts from the Emission Inspection Program, illustrates the baseline receipts and the fact that proposed receipts to DMV and DAQ are relatively unchanged from receipts in State fiscal year 2011. This supports the conclusion that these changes can be absorbed while maintaining the historic levels of program support.

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<sup>5</sup> Note in the proposed changes, this definition moves to 15A NCAC 02D .1002, and the reference to Rule .1004 is deleted.

**Figure 1. DMV and DAQ Annual Receipts from the Emission Inspection Program**

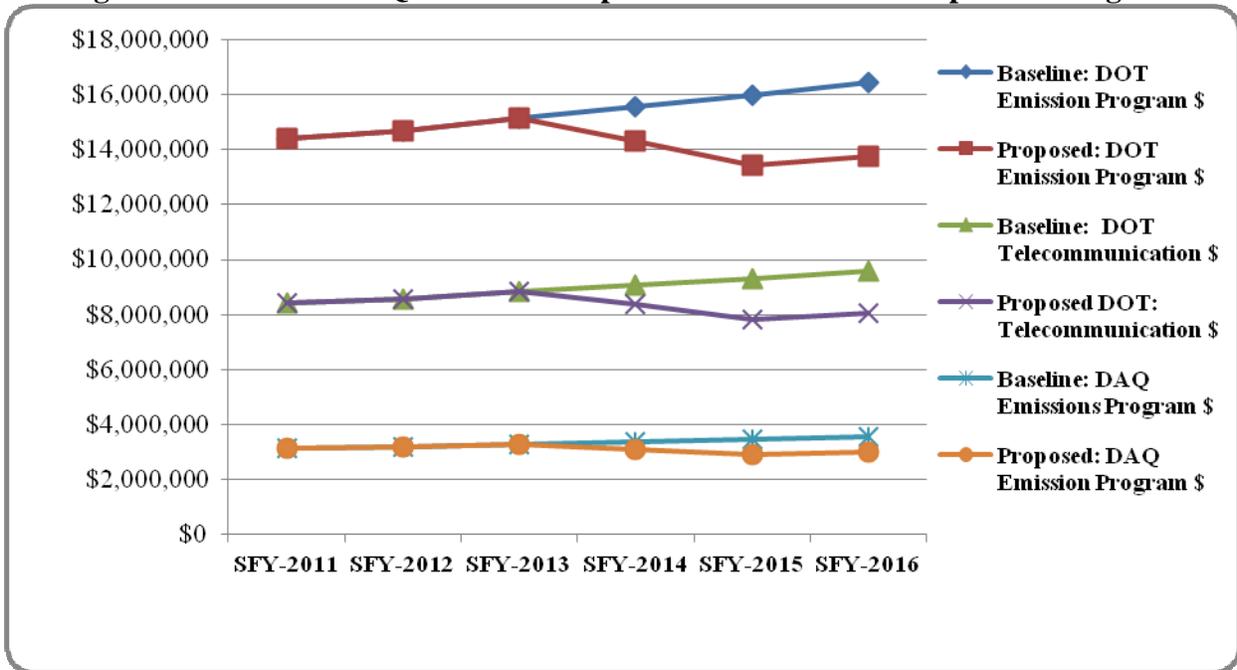
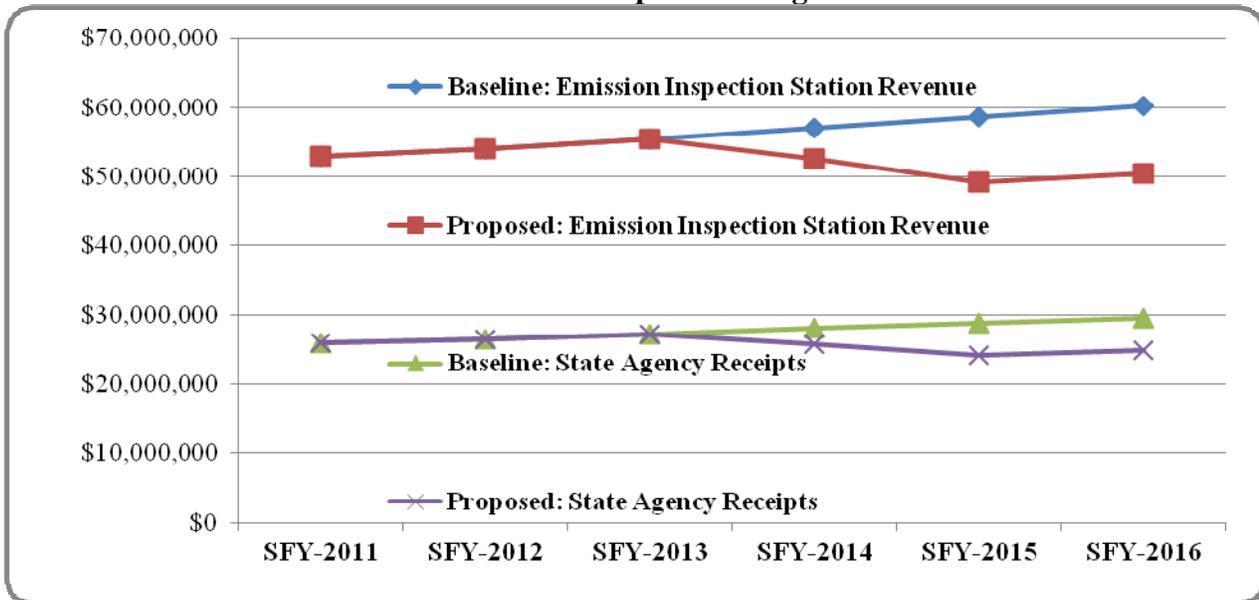


Figure 2, State Agency Annual Receipts and Emission Inspection Station Revenue from the Emission Inspection Program, illustrates the baseline receipts and the fact that proposed receipts and revenues are relatively unchanged when compared to levels in State fiscal year 2011. This supports the conclusion that these changes can be absorbed while maintaining the historic levels of program support.

**Figure 2. State Agency Annual Receipts and Emission Inspection Station Revenue from the Emission Inspection Program**

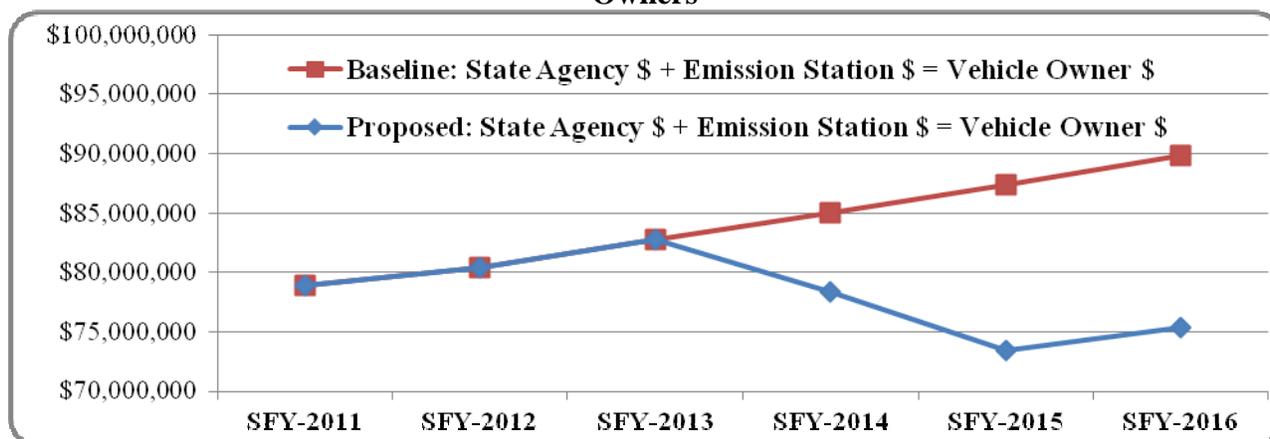


**FINAL DRAFT****Revenue Savings**

With a three-year exemption of the emission inspection, affected vehicle owners will still be required to pass a safety-only inspection that costs \$13.60. Therefore, affected vehicle owners would save a maximum of \$16.40 a vehicle per year. Based on the predicted number of affected vehicles exempt according to DMV records and national trends, affected vehicle owners would incur cost savings of \$6.6 million during the last half of SFY-2014 and \$13.9 million and \$14.5 million in the following two fiscal years, respectively, as shown in Table 5 above. The savings to State and local governments from fewer government owned vehicles requiring an emission inspection are also included in these estimates; however, their share of the savings is only 0.3 percent and 0.6 percent, respectively.

Figure 3, Annual Impacts on State Agencies, Emission Inspection Station Owners and Vehicle Owners, shows the predicted savings by comparing costs to owners under the current rules with costs under the proposed changes.

**Figure 3. Annual Impacts on State Agencies, Emission Inspection Station Owners and Vehicle Owners**



Inspection station owners may also incur a savings in terms of the opportunity cost of labor since station staff would spend less time performing emission inspections than they would absent the rule change. Given that second and third model year cars would still need to undergo a safety inspection, these savings were assumed to be marginal and are not included in this analysis.

### **VIII. Comparison with Original Analysis**

The original statute, Session Law 2011-145, studied the impact of exempting the three most recent model years independent of mileage from emissions inspection in the 48 designated counties. The original economic analysis in response to Session Law 2011-145 only looked at one set of vehicle data (three most recent model years, 2009-2011), assumed future years would contain the same number of new vehicles as the 2009-2011 period, and did not account for vehicles with 70,000 miles or more on their odometers. In addition, the one data set evaluated happened to occur in a time period with an unusually low number of new car purchases following the 2008 economic recession.

**FINAL DRAFT**

The revised statute, Session Law 2012-199, will exclude vehicles of the three most recent model years with less than 70,000 miles in the 48 designated counties. This section summarizes the impacts presented in the tables above. It is important to note that there are cost impacts that were not considered in the original analysis that accompanied the statute-making process. These include a higher projected number of vehicles affected due to using US trends in the growth in new car sales (2.8 percent growth annually) and vehicle age distribution profile. In addition, one percent of the second most recent model year and five percent of the third most recent model year are assumed to exceed the 70,000 mile limit on eligibility for the exemption based on 2011 DMV inspection data. Also, as this rule change is expected to become effective in the second-half of the SFY-2014 (Jan. 1, 2014), this analysis assumes the change would affect only one-half of the annual emission inspection fee receipts for SFY-2014.

**IX. Risk and Uncertainty**

This economic analysis relies upon several US default data references that could contribute to significant error in the resulting projection. To the extent that deviations occurred in the underlying assumption, the projection will be off accordingly. For example, if the 2.8 percent growth in the number of vehicles subject to emission inspection is instead level or drops, then the growth component would be overestimated accordingly. The long run trend in the US default vehicle age profile was responsive to the drop off in 2008 and shows a steady recovery to the normal long term default. If another economic shock were to happen, then the forecast will be off accordingly.

The vehicle inspection data from DMV for 2011 shows that about one percent of the second most recent model year vehicles and five percent of the third most recent model year exceed the 70,000 odometer miles limit. To the extent that these percentages continue to be expressed in the vehicle population into the future, these assumptions could be a small source of uncertainty.

The estimates of the State and local government vehicles that could benefit from these amendments have a certain degree of uncertainty. Although these estimates are based on 2010 DMV registration data, that information does not include the fuel type of the vehicles. As a result, the assumption was made that 93 percent of the State motor pool fleet is gasoline based. That 93 percent factor was used to scale down the 22,000 permanent plated State owned vehicles. The remainder of the 64,600 government owned vehicles were assumed to be owned by units of local government. The State government fraction of gasoline vehicles was assumed to be reasonable to estimate the local government fraction. There is no readily available data to confirm or refute this assumption, and as such, this data gap could cause uncertainty in these estimates. Also the fraction of local government owned vehicles within their second and third most recent model year is not known, therefore the State fractions of about 12 percent was applied. All of these simplifying assumptions contribute to this uncertainty.

As stated in Section VII, there is uncertainty regarding the necessity for the VID update or analyzer software changes and who, if anybody, would then bear those estimated costs. Currently under certain circumstances, the vendors may require inspection stations to purchase software updates. Thus far the vendors have not exercised this option to pass along these costs. When major software upgrades have been required by the State, DMV has used receipts from the telecommunications account fund to pay

**FINAL DRAFT**

vendors. In the event that those costs become necessary, then the cost impacts would have to be added to the impacts presented in this economic assessment.

**X. Consideration of Alternatives**

The statutory revisions were specific and only added the second and third most recent model year vehicles to the current exemptions from emission inspections. The exclusion of additional model years would imply additional environmental and air quality reductions which would require additional offsetting benefits elsewhere in the State implementation plan revision. Given that further offsets were not likely achievable, such an alternative would be unacceptable to the EPA. Therefore no other viable alternatives were considered in this analysis.

Based on present Analyzer and VID Central logic, inspection procedures can be performed in the same manner they are presently being performed without Analyzer and/or VID Central updates. The responsibility to perform the correct inspection on the vehicle presented would be that of the Inspector-Mechanic, which is no different than it is presently allowed or practiced now. The Analyzer and VID Central updates would incorporate additional system logic to warn the Inspector Mechanic from continuing with an OBD/Emissions Inspection, or to convert a Safety-Only Inspection to an OBD/Emissions Inspection on a vehicle that meets the requirements outlined in Session Law 2012-199.

A determination must be made by DMV as to the absolute necessity of an analyzer and VID Central update, resulting in almost \$1.2 million when a proposed, but not yet developed, web-based system and software application could eliminate the need for this and future individual analyzer updates, if all current analyzers are converted to the web-based system. The incremental cost for the web-based system and software application associated with the rule change is assumed to be negligible. Until then, appropriate statutes are present to address improper inspections should they occur. It is important to remember that if this type of improper inspection should occur, the inspection that occurs is a more stringent inspection and not a less stringent one, but is still subject to penalties for an improper inspection.

**XI. Conclusions**

There would be substantial economic impacts from the revised statute, but the rule change itself has no impact beyond that created by the statute since its purpose is solely to bring the related rules into agreement with the revised statute. There are minor cost impacts such as the savings to State and local government vehicle owners that were not considered in development of the statute. State agencies or units of local government that own exempted second or third most recent model year vehicles may also benefit from the \$16.40 cost saving when switching to safety only inspection requirement for two years.

The total fiscal impacts of exempting the second and third most recent model year vehicles are estimated to be \$6.7 million during the last half of SFY-2014. The full impacts are realized in SFY-2015 and SFY-2016, reaching \$13.9 million and \$14.5 million, respectively. The net present value of these fiscal impacts of these proposed amendments are estimated to equal \$30,155,000 over the initial three year period of this analysis. These rule amendments cause substantial economic impacts, as

**FINAL DRAFT**

defined in the Administrative Procedures Act in N.C.G.S. 150B-21.4, meaning that the estimated impacts exceed \$500,000 in any calendar year. Owners of vehicles benefit from cost savings that are equally offset by the combined revenue losses by State government agencies and private sector impacts on inspection station owners.

If Analyzer and VID Central Updates are found necessary, the estimates for the updates could be one-time expenditures of roughly \$990,000 paid by the station owners and roughly \$200,000 paid by DMV, respectively.

There are no expected cost impacts from the repeal of Rule 02D .1009 or any of the other minor changes proposed alongside the emission exemption for second and third year models.

**FINAL DRAFT****Appendix A. Proposed Rule Changes**

15A NCAC 02D .1002 is proposed for amendment as follows:

**15A NCAC 02D .1002 APPLICABILITY**

(a) This ~~Section~~ Rule is applicable to all gasoline-powered and hybrid-powered motor vehicles, except motorcycles and excluding the current model ~~year~~, year;

(1) until the time the criteria in subparagraph (a)(2) are met.

(2) as of January 1, 2014 or the first day of a month that is 30 days after the U.S. Environmental Protection Agency approves the State Implementation Plan revision and the replacement of the Motor Vehicle Inspection and Law Enforcement System being certified by the Commissioner of Motor Vehicles, whichever occurs later, this rule is applicable to all gasoline-powered and hybrid-powered motor vehicles of a 1996 or more recent model except the vehicles in the three most recent model years with less than 70,000 miles on their odometers, plug-in and fuel-cell electric motor vehicles and motorcycles as specified in G.S. 20-183.2(b) that are:

(1) (i) required to be registered by the North Carolina Division of Motor Vehicles in the counties identified in Paragraph (b) of this Rule;

(2) (ii) part of a fleet primarily operated within the counties identified in Paragraph (b) of this Rule; or

(3) (iii) operated on a federal installation located in a county identified in Paragraph (b) of this Rule and that meet the requirements of 40 CFR 51.356(a)(4).

(b) The emission control standards of this Section become effective in the counties identified in G.S. 143-215.107A on the dates specified in G.S. 143-215.107A.

*History Note: Authority G.S. 20-128.2(a); G.S. 143-215.3(a)(1); G.S. 143-215.107(a)(3); G.S. 143-215.107(a)(6); G.S. 143-215.107(a)(7); G.S. 143-215.107A; G.S. 20-183.2;*  
*Eff. December 1, 1982;*  
*Amended Eff. July 1, 1992; April 1, 1991;*  
*Temporary Amendment Eff. January 1, 1993 for a period of 180 days or until the permanent rule becomes effective, whichever is sooner;*  
*Amended Eff. January 1, 2014; August 1, 2002; July 1, 1994; July 1, 1993.*

**FINAL DRAFT**

1 15A NCAC 02D .1003 is proposed for amendment as follows:

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3 **15A NCAC 02D .1003 DEFINITIONS**

4 The following definitions of terms apply to Rules 02D .1002 through 02D .1006 regulating gasoline-powered and hybrid-  
 5 powered motor vehicles throughout this Section:

- 6 (1) "Heavy-duty Gasoline Vehicle" means a gasoline-powered and hybrid-powered motor vehicle which is  
 7 designed primarily for:  
 8 (a) transportation of property and has a GVWR (Gross Vehicle Weight Rating) of more than 8,500  
 9 ~~pounds~~ pounds but less than 14,001 pounds;  
 10 (b) transportation of persons and has a capacity of more than 12 persons; or  
 11 (c) use as a recreational motor vehicle, which is designed primarily to provide temporary or  
 12 permanent living quarters for travel, camping, or other recreational use and has a GVWR of  
 13 more than 8,500 pounds.
- 14 (2) "Light-duty Gasoline Vehicle" means a gasoline-powered and hybrid-powered motor vehicle which is  
 15 designed primarily for:  
 16 (a) transportation of property and has a GVWR of 8,500 pounds or less; or  
 17 (b) transportation of persons and has a capacity of 12 persons or less.
- 18 (3) "Motor Vehicle" means ~~any self-propelled vehicle used for transporting property or persons.~~  
 19 every vehicle which is self-propelled any every vehicle designed to run upon the highways which is  
 20 pulled by a self-propelled vehicle as defined in G.S. 20-4.01(23).
- 21 (4) "Motorcycle" means any motor vehicle having a ~~seat or saddle for the use of the rider and designed to~~  
 22 ~~travel on not more than three wheels in contact with the ground.~~ saddle for the use of the rider and  
 23 designed to travel on not more than three wheels in contact with the ground, including motor scooters and  
 24 motor-driven bicycles, but excluding tractors and utility vehicles equipped with an additional form of  
 25 device designed to transport property, three-wheeled vehicles while being used by law-enforcement  
 26 agencies and mopeds as defined in subdivision d1 of this subsection" as defined in G.S. 20-4.01(27)d.
- 27 (5) "Gasoline-powered Motor Vehicle" means a four-wheeled motor vehicle designed primarily to be  
 28 propelled by the burning of gasoline in an internal combustion engine.
- 29 (6) "Hybrid-powered Vehicle" means a four-wheeled motor vehicle designed to be propelled by a  
 30 combination of one or more electric motors and the burning of gasoline in an internal combustion engine.
- 31 (7) "Plug-in Electric Vehicle" as defined in G.S. 20-4.01(28a).
- 32 (8) "Fuel Cell Electric Vehicle" as defined in G.S. 20-4.01(12a).
- 33 (9) "Model year" means the year used to designate a discrete vehicle model, irrespective of the calendar year  
 34 in which the vehicle was actually produced, provided that the production period does not exceed 24  
 35 months.

**FINAL DRAFT**

- 1           (10)    “Current model year means the most recent year used to designate a discrete vehicle model, irrespective
- 2                   of the calendar year in which the vehicle was actually produced, provided that the production period does
- 3                   not exceed 24 months.
- 4           (11)    “Three most recent model years” means the current (first) model year and the second and third model
- 5                   years following the current model year.
- 6           (12)    “Vendor” means any person who sells or leases equipment to inspection stations that is used to perform
- 7                   on-board diagnostic tests to show compliance with Rule 02D .1005 of this Section.

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10    *History Note: Authority G.S. 143-215.3(a)(1); G.S. 20-401 (12a); G.S. 20-401 (28a)*  
11    *Eff. December 1, 1982,*  
12    *Amended Eff. January 1, 2014.*

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**FINAL DRAFT**

1 15A NCAC 02D .1005 is proposed for amendment as follows:

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3 **15A NCAC 02D .1005 ON-BOARD DIAGNOSTIC STANDARDS**

4 (a) This Rule applies according to Rule .1002 of this Section to all ~~1996 and later~~ gasoline-powered and hybrid-powered  
 5 motor ~~vehicles,~~ vehicles 1996 or more recent models except the vehicles in the three most recent model years with less than  
 6 70,000 miles on their odometers, except plug-in and fuel-cell electric motor vehicles, and motorcycles, in the counties  
 7 identified in G.S. 143-215.107A.

8 (b) Vehicles covered under this Rule shall pass annually the on-board diagnostic test described in 40 CFR 85.2222. The  
 9 vehicle shall fail the on-board diagnostic test if any of the conditions of 40 CFR 85.2207 are met. Equipment used to  
 10 perform on-board diagnostic tests shall meet the requirements of 40 CFR 85.2231.

11 (c) The tester shall provide the owner of a vehicle that fails the on-board diagnostic test described in Paragraph (b) of this  
 12 Rule a report of the test results. This report shall include the codes retrieved (these codes are listed in 40 CFR 85.2223(b)),  
 13 the status of the malfunction indicator light illumination command, and the customer alert statement described in 40 CFR  
 14 85.2223(c).

15 (d) Persons performing on-board diagnostic tests shall provide the Division of Air Quality data necessary to determine the  
 16 effectiveness of the on-board diagnostic testing program. The data submitted shall be what is necessary to satisfy the  
 17 requirements of 40 CFR 51.365, Data Collection, and 40 CFR 51.366, Data Analysis and ~~Reporting~~. Reporting, and 40  
 18 CFR 51.358, Test Equipment.

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20 *History Note: Authority G.S. 20-128.2(a); 143-215.3(a)(1); 143-215.107(a)(6); 143-215.107(a)(7); 143-215.107A(b);*

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*S.L. 1999 c. 328 s. 3.2*

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*Eff. December 1, 1982;*

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*Amended Eff. January 1, 2014; Amended Eff. August 1, 2002; July 1, 1998; April 1, 1991; November 1,*

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*1986.*

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**FINAL DRAFT**

1 15A NCAC 02D .1006 is proposed to be amended as follows:

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3 **15A NCAC 02D .1006 SALE AND SERVICE OF ANALYZERS**

4 ~~(a) Definition. For the purposes of this Rule, "vendor" means any person who sells or leases equipment to inspection~~  
 5 ~~stations that is used to measure emissions from motor vehicles for the purpose of showing compliance with Rule .1004~~  
 6 ~~of this Section or that is used to perform on-board diagnostic tests to show compliance with Rule .1005 of this~~  
 7 ~~Section.~~

8 ~~(b)~~ (a) Requirements. A vendor shall not sell or lease equipment unless it meets the requirements of 40 CFR 85.2231  
 9 Onboard Diagnostic Test Equipment Requirements, and has the software necessary to record and transmit the data required  
 10 by the Division of Motor Vehicles and the Division of Air Quality to determine compliance with the  
 11 inspection/maintenance program requirements of this Section.

12 ~~(c)~~ (b) Hardware repair and software repair. When equipment hardware or software fails to meet the requirements of  
 13 Paragraph ~~(b)~~ (a) of this Rule for a particular analyzer, the vendor, after receiving a call to its respective service call center,  
 14 shall communicate with the impacted station within ~~24 hours;~~ two business days and shall complete repairs within the  
 15 warranty guidelines of the vendor. ~~Where the hardware problem is stopping 20 percent or more inspections for a particular~~  
 16 ~~analyzer or is compromising the security of the inspection system, the vendor shall repair the problem within 48 hours after~~  
 17 ~~the initial call to its respective service call center.~~

18 ~~(1) Where the hardware problem is stopping less than 20 percent of all inspections for a particular analyzer and~~  
 19 ~~is not compromising the security of the inspection system, the vendor shall repair the problem within 72~~  
 20 ~~hours after the initial call to its respective service call center.~~

21 ~~(2) Where the hardware problem is not stopping inspections and is not compromising the security of the~~  
 22 ~~inspection system, the vendor shall repair the problem within 96 hours after the initial call to its respective~~  
 23 ~~service call center.~~

24 ~~(d)~~ (c) Software repair revisions. When analyzer software fails to meet the requirements of Paragraph (b) of this Rule, the  
 25 vendor, after receiving a call to its respective service call center, shall communicate with the station within ~~24 hours.~~  
 26 two business days. The vendor shall identify and characterize the software problem within 5 days. The vendor shall,  
 27 within that same 5-day period, inform the station owner and the Division as to the nature of the problem and the  
 28 proposed corrective course of ~~action and:~~ action.

29 ~~(1) Where the software problem is stopping 20 percent or more inspections for a particular analyzer or is~~  
 30 ~~compromising the security of the inspection system, the vendor shall submit a new revision of the software~~  
 31 ~~to the Division for approval within 19 days after receiving the initial call to its service call center.~~

32 ~~(2) Where the software problem is stopping less than 20 percent of all inspections for a particular analyzer and~~  
 33 ~~is not compromising the security of the inspection system, the vendor shall submit a new revision of the~~  
 34 ~~software to the Division for approval within 33 days after receiving the initial call to its service call center.~~

**FINAL DRAFT**

1           ~~(3) The vendor shall distribute the new revision of the software to all impacted stations within 14 days after~~  
2           ~~the vendor receives written notification from the Division that the software has been approved as meeting~~  
3           ~~the requirements of Paragraph (b) of this Rule.~~

4   (⇌) (d) Documentation of the initial service call. The vendor's service call center shall assign a unique service response  
5       number to every reported new hardware or software problem. The time and date of the initial call shall be recorded and  
6       identified with the service response number. The service response number shall be communicated to the inspection  
7       station operator at the time of the initial contact.

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9   History Note:    Authority G.S. 143-215.3(a)(1); 143-215.107(a)(6), (14);  
10                    Eff. January 1, 2007. 2007;  
11                    Amended Eff. January 1, 2014;

**FINAL DRAFT**

1 15A NCAC 02D .1009 is proposed to be repealed:

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3 **15A NCAC 02D .1009 MODEL YEAR 2008 AND SUBSEQUENT MODEL YEAR HEAVY-DUTY DIESEL**  
 4 **VEHICLE REQUIREMENTS (REPEALED)**

5 ~~(a) Applicability. This Rule applies to model year 2008 and subsequent model years heavy duty diesel vehicles.~~

6 ~~(b) Definitions. For the purposes of this Rule the following definitions shall apply.~~

7 ~~(1) "Heavy duty diesel vehicle" means a motor vehicle (excluding trailer(s)) with a gross vehicle weight~~  
 8 ~~rating (as certified by the manufacturer) of 14,001 pounds or greater that is propelled by a diesel engine.~~

9 ~~(2) "Motor vehicle dealer" means motor vehicle dealer as defined in G.S. 20-286(11) and includes "new~~  
 10 ~~motor vehicle dealer" as defined in G.S. 20-286(13) and "used motor vehicle dealer" as defined in G.S.~~  
 11 ~~20-286(16).~~

12 ~~(3) "New motor vehicle" means new motor vehicle as defined in G.S. 20-286(10)(a).~~

13 ~~(4) "Used motor vehicle" means used motor vehicle as defined in G.S. 20-286(10)(b).~~

14 ~~(c) Exemptions. For the purposes of this Rule the exemption of military tactical vehicles and equipment as specified in~~  
 15 ~~Title 13 of the California Code of Regulations, Section 1905 shall apply.~~

16 ~~(d) Requirement. No model year 2008 or subsequent model year heavy duty diesel vehicle that is a~~

17 ~~(1) used heavy duty diesel vehicle sold by a motor vehicle dealer; or~~

18 ~~(2) new motor vehicle, however it is sold,~~

19 ~~may be leased or registered within North Carolina unless the vehicle or its engine has been certified by the California Air~~  
 20 ~~Resources Board as meeting the applicable model year requirements of Title 13 of the California Code of Regulations,~~  
 21 ~~Section 1956.8, California Exhaust Emission Standards and Test Procedures for 1985 and Subsequent Model Heavy Duty~~  
 22 ~~Diesel Engines and Vehicles.~~

23 ~~(e) Referenced Regulation. The California Code of Regulations Title 13, Division 3, Chapter 1, Article 1, Section 1905 and~~  
 24 ~~Article 2, Section 1956.8 are incorporated by reference in this Rule and include any later amendments thereto. A copy of~~  
 25 ~~the referenced materials may be obtained free of charge via the internet from the Office of Administrative Law California~~  
 26 ~~Code of Regulations website at <http://cer.oal.ca.gov/>, or a hard copy may be obtained at a cost of \$5.00 from the Public~~  
 27 ~~Information Office, California Air Resources Board, P.O. Box 2815, Sacramento, CA, 95812.~~

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29 *History Note: Authority G.S. 143-215.3(a)(1); 143-215.107(a)(6)-(7);*

30 *Eff. December 1, 2004-2004;*

31 *Repealed Eff. January 1, 2014;*

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**FINAL DRAFT****Appendix B. Emission Inspection Revenue and Expenditure Data and Projections, SFY-2011 – SFY-2016**

<b>Baseline Revenue or Expenditures</b>	<b>SFY-2011</b>	<b>SFY-2012</b>	<b>SFY-2013</b>	<b>SFY-2014</b>	<b>SFY-2015</b>	<b>SFY-2016</b>
Vehicles subject to Emission Inspection	4,809,000	4,903,000	5,044,000	5,186,000	5,327,000	5,477,000
+ DAQ Emission Receipts	\$3,126,000	\$3,187,000	\$3,279,000	\$3,371,000	\$3,462,000	\$3,560,000
+ DMV - Emission Program Account	\$14,427,000	\$14,710,000	\$15,132,000	\$15,558,000	\$15,980,000	\$16,432,000
+ DMV - Telecommunications Account	\$8,416,000	\$8,581,000	\$8,827,000	\$9,076,000	\$9,321,000	\$9,585,000
= <i>Total North Carolina Agency Receipts</i>	\$25,969,000	\$26,478,000	\$27,238,000	\$28,005,000	\$28,763,000	\$29,577,000
+ <i>Inspection Station Revenue</i>	\$52,900,000	\$53,937,000	\$55,484,000	\$57,046,000	\$58,597,000	\$60,247,000
= <b>Total Receipts + Revenues from Emission Inspection</b>	<b>\$78,869,000</b>	<b>\$80,415,000</b>	<b>\$82,722,000</b>	<b>\$85,051,000</b>	<b>\$87,360,000</b>	<b>\$89,824,000</b>
= <b>Vehicle Owner Expenditures*</b>	<b>-\$78,869,000</b>	<b>-\$80,415,000</b>	<b>-\$82,722,000</b>	<b>-\$85,051,000</b>	<b>-\$87,360,000</b>	<b>-\$89,824,000</b>
<b>Changes From Baseline</b>						
	<b>SFY-2011</b>	<b>SFY-2012</b>	<b>SFY-2013</b>	<b>SFY-2014 (Jan.-Jun.)</b>	<b>SFY-2015</b>	<b>SFY-2016</b>
Exempt 2nd & 3rd Model Year Vehicles	0	0	0	405,500	846,000	883,000
+ DAQ Impacts	\$0	\$0	\$0	-\$264,000	-\$550,000	-\$574,000
+ DMV - Emission Program Account	\$0	\$0	\$0	-\$1,216,000	-\$2,538,000	-\$2,649,000
+ DMV - Telecommunications Account	\$0	\$0	\$0	-\$710,000	-\$1,480,000	-\$1,545,000
= <i>Total North Carolina Agency Impacts</i>	\$0	\$0	\$0	-\$2,190,000	-\$4,568,000	-\$4,768,000
+ <i>Inspection Station Owners Impacts</i>	\$0	\$0	\$0	-\$4,461,000	-\$9,306,000	-\$9,713,000
= <b>Total Revenue + Receipts Impacts</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$6,651,000</b>	<b>-\$13,874,000</b>	<b>-\$14,481,000</b>
= <b>Vehicle Owners Savings</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,651,000</b>	<b>\$13,874,000</b>	<b>\$14,481,000</b>
<b>Net Revenue or Expenditures</b>						
	<b>SFY-2011</b>	<b>SFY-2012</b>	<b>SFY-2013</b>	<b>SFY-2014</b>	<b>SFY-2015</b>	<b>SFY-2016</b>
Vehicles subject to Emission Inspection	4,809,000	4,903,000	5,044,000	4,780,500	4,481,000	4,594,000
+ DAQ Emission Receipts	\$3,126,000	\$3,187,000	\$3,279,000	\$3,107,000	\$2,912,000	\$2,986,000
+ DMV - Emission Program Account	\$14,427,000	\$14,710,000	\$15,132,000	\$14,342,000	\$13,442,000	\$13,783,000
+ DMV - Telecommunications Account	\$8,416,000	\$8,581,000	\$8,827,000	\$8,366,000	\$7,841,000	\$8,040,000
= <i>Total North Carolina Agency Receipts</i>	\$25,969,000	\$26,478,000	\$27,238,000	\$25,815,000	\$24,195,000	\$24,809,000
+ <i>Inspection Station Revenue</i>	\$52,900,000	\$53,937,000	\$55,484,000	\$52,585,000	\$49,291,000	\$50,534,000
= <b>Total Receipts + Revenues from Emission</b>	<b>\$78,869,000</b>	<b>\$80,415,000</b>	<b>\$82,722,000</b>	<b>\$78,400,000</b>	<b>\$73,486,000</b>	<b>\$75,343,000</b>
= <b>Vehicle Owner Expenditures</b>	<b>-\$78,869,000</b>	<b>-\$80,415,000</b>	<b>-\$82,722,000</b>	<b>-\$78,400,000</b>	<b>-\$73,486,000</b>	<b>-\$75,343,000</b>

\* Includes expenditures/savings related to State and local government motor fleet, which account for and estimated 0.3% and 0.6% of total.