

## **Part I – Summary of the Rulemaking**

### **1. An identification of the rulemaking.**

This rulemaking is designed to modernize a number of provisions in Title 18, Chapter 2, Article 10 of the Arizona Administrative Code. These changes will have a minimal economic impact on the different Arizona entities and citizens, but ADEQ believes that the overall impact will be slightly positive. This rulemaking creates no additional burdens on Arizona agencies, businesses, or citizens.

The provisions likely to have an economic impact in this rulemaking include:

1. Vehicle exemptions;
2. Exemptions for military personnel on active duty;
3. Fleet agent and fleet inspector licenses increased from 1 year to 2 years;
4. Transferable certificates of inspection (COIs) for dealer fleets;
5. Elimination of the liquid fuel leak test;
6. OBD testing expansion;
7. Reduced ADEQ auditing;
8. MyDEQ launch for Fleet Emissions Testing Permits (MyDEQ Fleet); and
9. MyDEQ launch for Out of State Exemptions (MyDEQ OOS).

### **2. Identification of the persons who will be directly affected by, bear the costs of, or directly benefit from the rules:**

1. Arizona businesses, primarily used motor vehicle dealers.
2. Arizona citizens, specifically owners of diesel powered vehicles and individuals seeking out of state exemptions (military members, individuals who live in Arizona part-time, college students.)
3. Emissions inspectors and fleet agents.
4. The Department of Environmental Quality.
5. Other state agencies, jurisdiction, and quasi-governmental entities.
6. The contractor running the emissions testing stations, currently Gordon-Darby.

<b>Minimal</b>	<b>Moderate</b>	<b>Substantial</b>	<b>Significant</b>
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\$1,000 or less per year	\$1,000 to \$10,000 per year	\$10,001 or more per year	Cost/Burden cannot be calculated, but the Department expects it to be significant.
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**3. Cost/benefit analysis:**  
**a. Part I - Cost/Benefit Stakeholder Matrix**

Description of Affected Groups	Description of Effect	Increased Cost/ Decreased Revenue	Decreased Cost/ Increased Revenue
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**A. State and Local Government Agencies**

Arizona Department of Environmental Quality	Clarity of the new rule Reduced Auditing	None None None	Significant Substantial Significant
	MyDEQ Fleet MyDEQ OOS Fleet license timeframe extension OBD Expansion Transferable COIs	None None None Moderate	Substantial Moderate Significant None
Other state agencies, jurisdictions, and quasi-governmental entities.	Clarity of the new rule Reduced Auditing MyDEQ Fleet Fleet license timeframe extension OBD Expansion	None None None None None	Significant Moderate Moderate Moderate Substantial

**B. Privately Owned Businesses**

Used car dealerships	Reduced Auditing MyDEQ Fleet Fleet license timeframe extension OBD Expansion Clarity of new rule	None None None None None	Significant Moderate Moderate Moderate Moderate
Emission Testing Contractor	Clarity of the new rule OBD Expansion Reduced Auditing Elimination of liquid fuel leak test	None Substantial None None	Significant Substantial Substantial Minimal

**C. Private Individuals**

Emissions Inspectors and Fleet Agents	Fleet license timeframe extension MyDEQ Fleet OBD Expansion	None None None	Minimal Minimal Minimal
Arizona Citizens Generally	OBD Expansion Transferable COIS Clarity of the new rule	None None None	Significant Minimal Minimal
Arizona Citizens – Diesel Vehicle Owners	OBD Expansion	None	Minimal
Arizona Citizens – People needing out of state exemptions.	MyDEQ OOS	None	Minimal
Active Duty Military	MyDEQ OOS	None	Minimal

## Part II - Individual Stakeholder Summaries/Calculations

### A. Used Car Dealerships

One of the ways this rulemaking will have a positive impact on Arizona businesses is by assigning certificates of inspection (COI's) to a vehicle instead of a location. The rules that restrict COI transferability are outdated, as they were written at a time where car dealerships did not have multiple locations. Modern car dealerships have evolved, and routinely sell cars at different locations than the lot that they were originally parked on when the dealership took title. This rule making recognizes that reality, as requiring cars to be emissions tested multiple times when they have already passed a test and aren't being driven costs time, money, and effort with no increase in environmental benefit.

The persons who will be directly affected by and will benefit from this rulemaking are used car dealerships in Arizona, as well as individuals who buy cars from used car dealerships. An individual COI costs \$11.50, so although the economic benefits will be small, used car dealerships should expect to save money. They will also save money by reducing the amount of hours of labor they spend emissions testing cars. This rule could also benefit used car dealerships that throw events like tent sales and other off-site sales events as it will remove logistical barriers that prohibit those events from happening.

Used car purchasers will benefit from this rule change because their transaction will be more expedient, as the car won't have to undergo a duplicative emissions test before delivery at second dealership location or at the off-site sales events mentioned above.

This rule change will also reduce inspections on businesses that have fleet emissions testing permits. Reduced inspection are possible because ADEQ has launched a new, online portal called

myDEQ for managing fleet emissions inspection permits. MyDEQ allows for immediate reporting of fleet emissions inspection results, which means less time ADEQ inspectors need to spend in the field. By reducing inspections and leveraging technology, the businesses that take advantage of ADEQ's fleet emissions testing permit should see cost savings.

Fleet permittees will also benefit from being allowed to conduct OBD testing. Although the cost per COI is the same, maintenance costs on OBD testing equipment is far less than the cost of maintaining a gas analyzer to perform emissions testing.

#### **B. Arizona Citizens - Diesel Vehicle Owners**

OBD testing is a more stringent, cheaper, and higher quality version of emissions testing for vehicles that are certified with the OBDII system. Testing diesel vehicles using this already installed technology will make emissions testing cheaper and quicker for all of the diesel vehicles that can take advantage of it. Additionally, an OBD test allows for two years of registration while opacity testing only allows registration for one. In Area A, this will save diesel vehicle owners \$34 every two years. In Area B, it will save diesel vehicle owners \$12.25 every two years.

#### **C. Arizona Citizens, Generally**

Arizona citizens should benefit from cleaner air as a result of this rulemaking. The current method of testing for diesel vehicles, opacity testing, does not test for oxide of nitrogen (NOx), which is one of the air pollutants identified as an ozone precursor. By implementing OBD testing for diesel vehicles, ADEQ hopes to reduce NOx pollution and help prevent the formation of ozone and to level the playing field for all vehicle types that emit NOx.

#### **D. Other state agencies, jurisdictions, and quasi-governmental entities.**

Many state agencies take advantage of the ADEQ fleet program to maintain current emissions testing on their vehicles. The benefits provided to private businesses in Arizona will extend to governments with the rollout of MyDEQ fleet. Additionally, in Arizona, government entities must attach a sticker to a vehicle to prove that it passed emissions. MyDEQ allows government entities to have these stickers shipped to them instead of having to come down to ADEQ to pick them up.

#### **E. Active Duty Military**

This rulemaking will enable active duty military members to receive free emissions exemptions no matter where they are in the world. This means that when they return home on leave, they will be able to come home to properly registered vehicles that they can use for the duration of their stay.

#### **F. Emissions Testing Contractor**

The changes to this article will have a direct effect on the emissions testing contractor. The contractor will incur a cost to implement OBD testing for diesels at all of Arizona's test stations. This cost will be limited to man hours for modifying software, as well as the time it will take to train employees in to execute new procedures. There will be minor equipment costs as well, as heavy duty diesel vehicles use a different plug for OBD testing than gasoline vehicles or light duty vehicles.

It's likely that these initial costs will be offset in the long term with cost savings because OBD testing is a simpler and more effective form of emissions testing. The current method of diesel testing, opacity testing, requires more expensive equipment and takes much longer to perform. The piece of equipment necessary to perform opacity testing, an opacity meter, is notoriously difficult to maintain. The filter heads require consistent maintenance and cleaning, and the probes "gum up" after extended use. These issues will be eliminated with OBD testing.

### **G. ADEQ**

Overall, this rulemaking will lower program costs for the Department. This rulemaking reduces the amount of physical inspections that the Department is required to conduct. Physical inspections are costly, and in a world that is moving to more computer oriented emissions testing, they are easily replaced with more remote forms of observation. MyDEQ is a quicker, more efficient way to monitor fleet compliance than performing quarterly physical inspections. The reductions in cost associated with inspections only are expressed in an infographic attached to this economic impact.

In addition to the cost savings for cost reductions, ADEQ will also see cost savings associated with reviewing emission testing data that is submitted by fleets. Each month, every fleet submits a monthly summary of all the emissions testing data they've collected throughout the month. ADEQ staff reviews this data as part of our Clean Air Act obligations. Currently, each of these monthly summaries are being mailed to the Department. This means that ADEQ customer service staff has to process the mail, and compliance officers review the summaries by hand. This method has been in use since the fleet program began. MyDEQ allows compliance officers to generate excel spreadsheets and review the emissions testing results on the computer, instead of going through the laborious hand review process. Additionally, ADEQ is developing macros for these spreadsheets which will automatically alert compliance officers to emissions testing results that are outside of normal ranges.

MyDEQ also streamlines the licensing process itself. Currently, each emissions inspector license is handmade for each inspector every single year. This process involves updating a word document, embossing the license itself, and then hand delivering it to the emissions inspector. MyDEQ eliminates this process, and instead computer generates licenses and emails them to the inspector.

The one aspect of this rule change that may increase costs for the Department is making COIs

transferable. This provision was specifically asked for by stakeholders, and although it will moderately increase costs for the Department, it should significantly decrease costs for businesses that take advantage of the fleet emissions testing permit.

MyDEQ will also save the Department time when processing out-of-state emissions testing exemptions. The out-of-state exemption process is similar to the fleet processes described above. Currently, customers must mail their vehicle and testing information. ADEQ customer service staff hand processes all of this mail, and if a customer has forgotten anything, they're forced to mail the additional documentation. This takes a significant amount of time, as ADEQ processes nearly 60,000 of these exemptions every year. The myDEQ rollout will streamline this process significantly, as well as create an automated electronic filing system that allows ADEQ to adhere to state document retention policies with absolutely zero labor.

**A cost benefit analysis of the following:**

- (a) The probable costs and benefits to the implementing agency or other agencies directly affected by the implementation and enforcement of the rulemaking.**

ADEQ estimates that overall there will be no cost increases to the agency as a result of this rulemaking. By leveraging new technology such as myDEQ, ADEQ should see cost savings by reducing inspections.

- (b) The probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the rulemaking.**

ADEQ estimates that there will be no cost increases to other political subdivisions of the state as a result of this rulemaking. Political subdivisions that take advantage of the fleet emissions testing permit should see some costs savings with this rulemaking because of myDEQ.

- (c) The probable costs and benefits to businesses directly affected by the rule making, including any anticipated effect on the revenues or payroll expenditures of employers who are subject to the rulemaking.**

Used car dealerships can expect to spend less money on COIs, as well as reduced hours of labor on emissions testing as a result of this rulemaking. ADEQ estimates that this rulemaking will result in moderate cost savings for Arizona businesses.

**A general description of the probable impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by the rulemaking.**

ADEQ estimates that this rulemaking will have no impact on private and public employment in businesses, agencies, and political subdivisions of this state.

**A statement of the probable impact of the rulemaking on small businesses.**

**(a) An identification of the small businesses subject to the rulemaking.**

Under A.R.S. § 41-1001(21) “Small business” means a concern, including its affiliates, which is [1]independently owned and operated, which is [2] not dominant in its field and which [3] employs fewer than one hundred full-time employees or which had gross annual receipts of less than four millions dollars in its last fiscal year.

There are small used car dealerships that will benefit from this rulemaking. They will benefit by having to spend less time and money performing duplicative emissions testing on vehicles.

**(b) The administrative and other costs required for compliance with the rulemaking.**

There will be no additional costs required for compliance with this rulemaking. Businesses that are eligible for a fleet emissions testing station permit will continue to be eligible, and will continue to be subject to the same regulations and inspections as before.

**(c) A description of the methods that the agency may use to reduce the impact on small businesses.**

Not applicable.

**(d) The probable cost and benefit to private persons and consumers who are directly affected by the rulemaking.**

The cost savings to business is likely too small to have a measurable impact on used car prices on Arizona. The benefit that consumers can expect as a result of this rule change is that the logistics of doing car sales events like tent sales will be much easier after the rulemaking. Arizonans who choose to take advantage of sales events of that nature can expect more events, as the amount of time spent on the logistics for throwing them will be reduced.

**A statement of the probable effect on state revenues.**

A.R.S. § 49-542 (D) mandates that every motor vehicle sold in the state must pass an emissions test before being delivered to a retail purchaser. To ensure motor vehicle dealerships meet this requirement quickly and efficiently, ADEQ runs the fleet emissions testing program under a statutory grant of authority at A.R.S. § 49-546. This results in a cost savings for Arizona businesses, as a COI issued by a fleet station costs only \$11.50 compared to a cost of \$17 or

more at a centralized state station. Additionally, fleets save time and money by not having to drive their merchandise to a centralized station every time they acquire a new car.

By reducing the duplicative testing requirement through this rulemaking, ADEQ expects a minimal impact on agency revenues. ADEQ estimates that less than 5,000 cars a year, out of the 100,000 tested by our fleet stations, will be affected by this rule change. That means an approximate decrease of \$57,500 for the administration of the agencies fleet emissions testing permit program.

**A description of any less intrusive or less costly alternative methods of achieving the purpose of the rulemaking.**

ADEQ was not able to identify any less intrusive or costly alternative methods for achieving the purpose of the rulemaking.

**A description of any data on which a rule is based with a detailed explanation of how the data was obtained and why the data is acceptable data. An agency advocating that any data is acceptable data has the burden of proving that the data is acceptable. For the purposes of this paragraph, “acceptable data” mean empirical, replicable, and testable data as evidenced in supporting documentation, statistics, reports, studies, or research.**

ADEQ has relied on its own COI fee data to make projections on costs. ADEQ has also reached out to stakeholders at the various meetings held for this change. It is difficult to project with a high degree of accuracy, because the business of selling used cars is extremely cyclical in nature. Therefore, ADEQ believes that its COI fee data is the best dataset available for any economic impact projections for this rulemaking.