

VOLUNTARY VEHICLE REPAIR PROGRAM

FISCAL YEAR 2019
ANNUAL
REPORT



OUR MISSION and VISION

The Arizona Department of Environmental Quality's (ADEQ's) mission is to protect and enhance public health and the unique environment in Arizona. To achieve this, ADEQ administers the state's environmental laws and delegated federal programs to prevent pollution of the air, water and land, and to ensure cleanup when pollution occurs.

ADEQ's vision is to be the No. 1 state in the nation in:

- Balanced, leading edge environmental protection through
- Technical and operational excellence, and
- Radical simplicity for customers and staff.

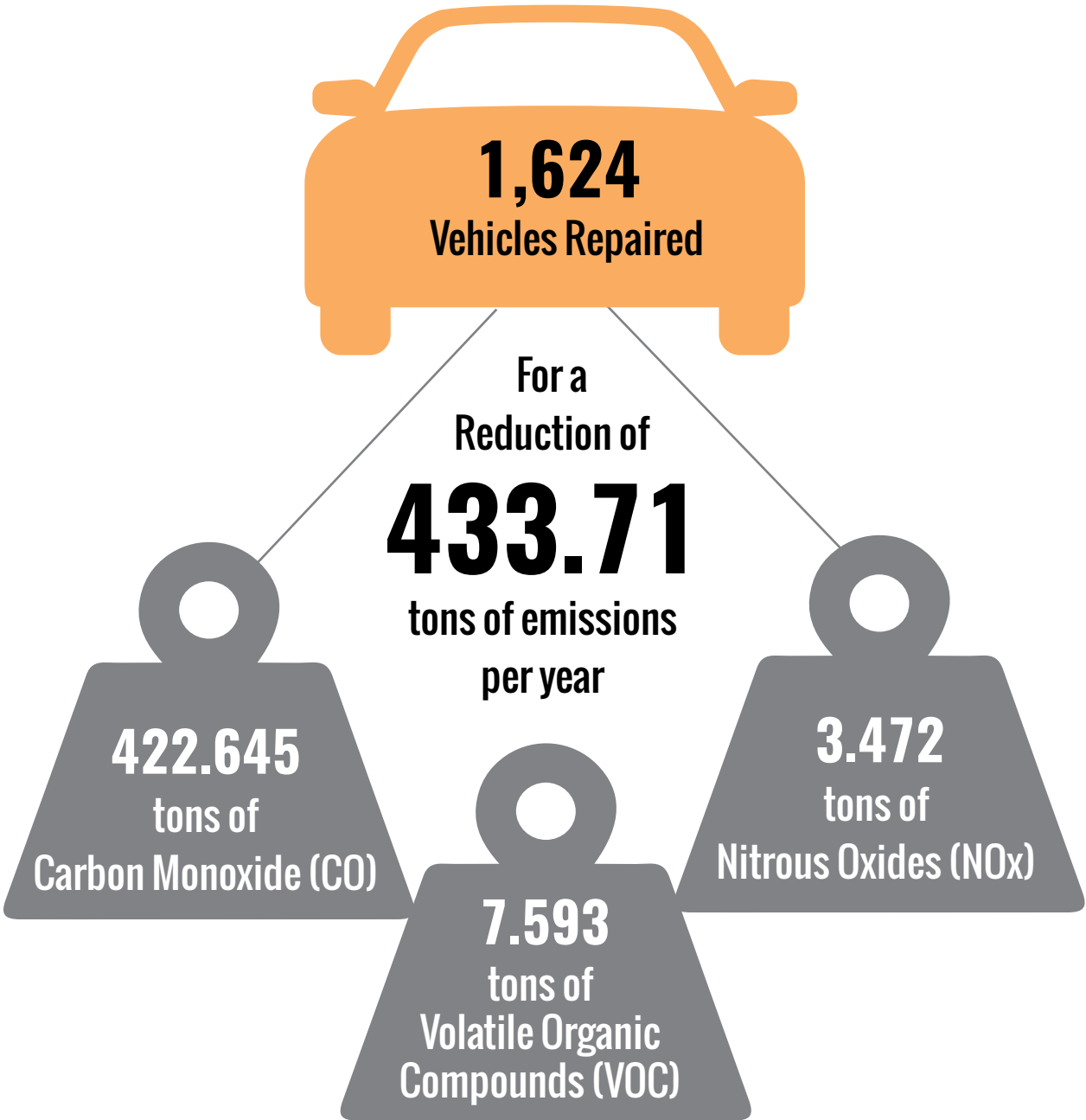


INTRODUCTION

This report has been prepared by the Arizona Department of Environmental Quality (ADEQ) Voluntary Vehicle Repair and Retrofit Program as mandated by Arizona Revised Statutes (A.R.S.) §49-474.03(G). ADEQ refers to this program as the Voluntary Vehicle Repair Program (VVRP).

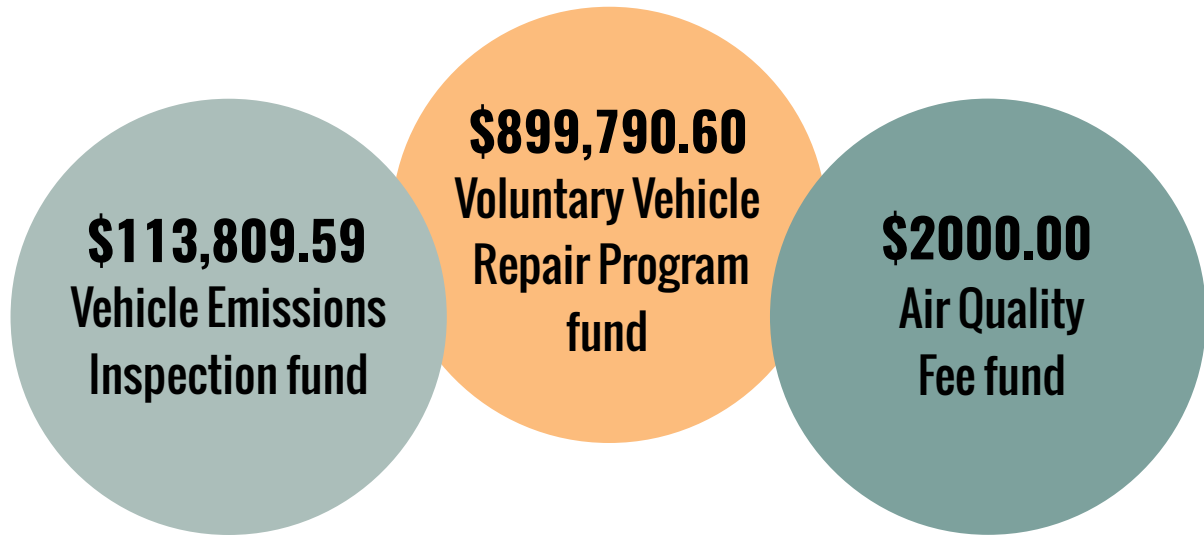
The Environmental Protection Agency (EPA) requires monitoring of vehicle emissions in major metropolitan areas that are not meeting federal health standards for ozone and/or other pollutants. At present, vehicle emissions testing is only required in parts of Maricopa County and Pima County. Through a strategic partnership with these counties, ADEQ operates and maintains the VVRP, which provides financial assistance to motorists in these counties for emissions reduction related repairs and is funded through a registration fee collected from diesel powered vehicles (A.R.S. §49-551(B)). The goal of the VVRP is to reduce air pollution emitted by older vehicles that have failed the required emissions inspection.

RESULTS



BUDGET COST

In FY19, VVRP costs of \$1,015,600.19* were paid from three funds:



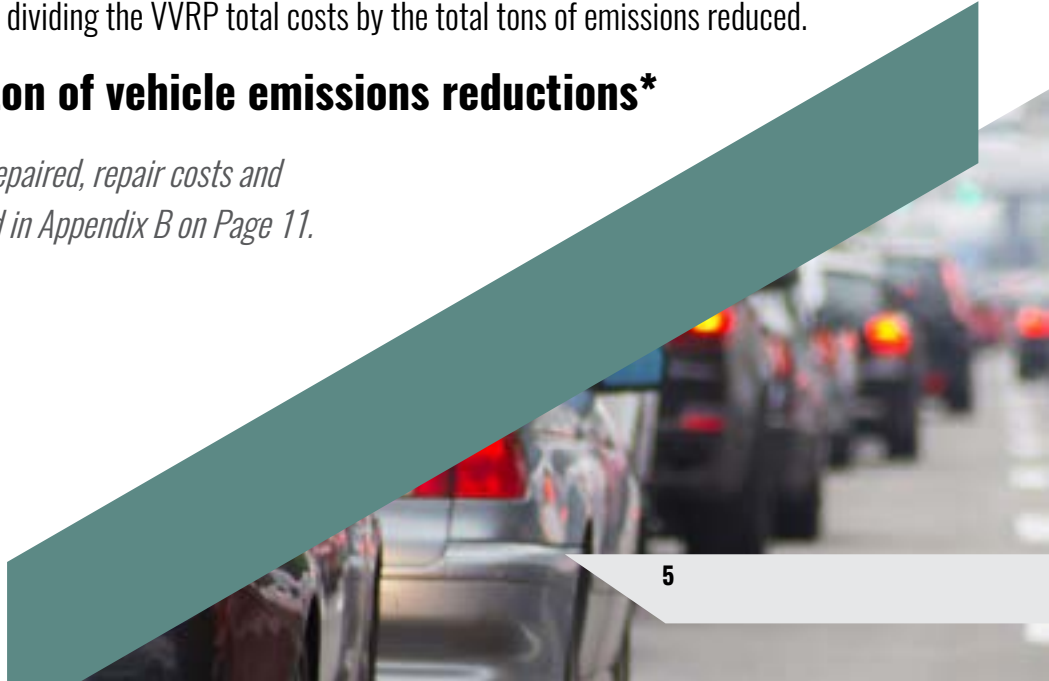
** A detailed breakdown of expenditures, including for administrative functions, can be found in Appendix A on Page 8.*

COST-EFFECTIVENESS

Cost-effectiveness is measured by dividing the VVRP total costs by the total tons of emissions reduced.

\$2,341.66 spent per ton of vehicle emissions reductions*

**A list by model year of vehicles repaired, repair costs and emissions reductions can be found in Appendix B on Page 11.*



IMPROVEMENTS

Based on data collected, customer feedback, and consultations with an outside marketing and advertising firm, the VVRP is implementing the following improvements in FY20:

TARGETED OUTREACH

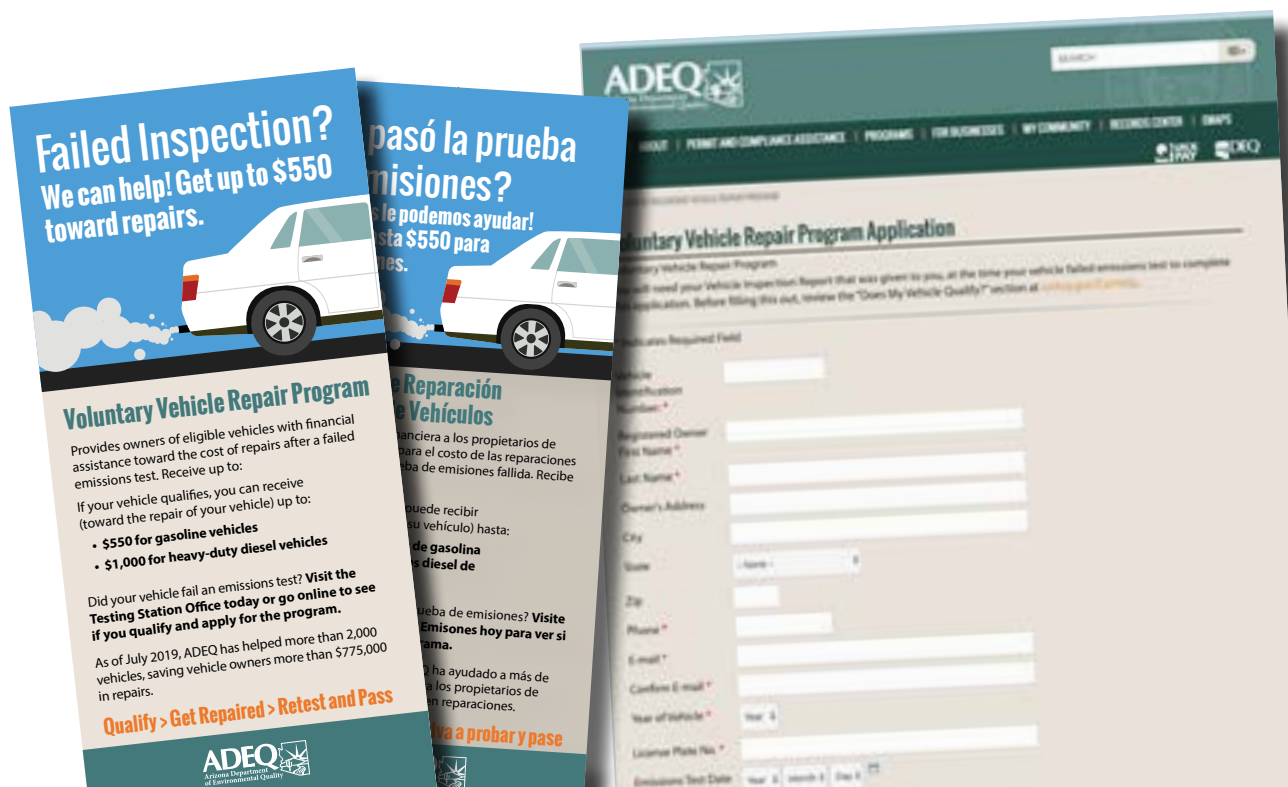
Problem: About 50 percent of vehicle owners who applied and were accepted into the program never completed necessary steps

Improvement: Engage and better serve these customers with follow-up phone calls, emails and/or postcards

ONLINE APPLICATION FORM

Problem: More than 90 percent of customers whose vehicles failed emissions testing drove away from testing stations without talking to a manager to apply for the program

Improvement: Provide an online form in both English and Spanish, so customers can apply at their convenience 24/7



HANDOUT WITH STEP-BY-STEP INSTRUCTIONS

Problem: Customer feedback indicated that messaging didn't clearly outline next steps for those accepted into the program

Improvement: Distribute a handout or electronic PDF to accepted applicants that clearly identifies each program step to encourage process completion

REPAIR SHOP OUTREACH MATERIALS

Problem: Feedback indicated that some customers prefer to use their regular mechanics for repairs, rather than a VVRP Approved Repair Facility

Improvement: Provide customers with materials (Approved Repair Facility overview and application) to give to their regular mechanics to encourage program participation

LEGISLATIVE PROGRAM CHANGES*

Problem: Statute limitations prevent full program participation and do not provide flexibility to adapt to changes in federal designation

Improvement:

- Expand the VVRP to include all non-attainment areas where a Vehicle Emissions Inspection Program (VEIP) is required in a State Implementation Plan (SIP)
- Remove 12 years or older model year restriction for VVRP participation
- Reduce customer co-pay from \$150 to \$100
- Establish a separate catalytic converter repair cap of \$1,200
- Repeal the VVRP advisory committee

**Legislative approval is needed to implement any recommended amendments*



APPENDIX A: ADMINISTRATIVE FUNCTIONS AND EXPENDITURES BY FUND

VVRP FUND

Monies in the VVRP Fund are:

- Appropriated by the legislature
- Appropriated by political subdivisions
- Deposited pursuant to A.R.S. §49-551(B)
- Gifts, grants and donations

On July 1, 2018, the VVRP fund balance was \$1,867,200.00. At the completion of FY19, about 48 percent of the fund was spent on the VVRP. The remaining balance will carry over into FY20.

| VVRP FUND BALANCE | |
|--------------------|----------------|
| As of July 1, 2018 | \$1,867,200.00 |
| Total Expenditures | \$899,790.60 |
| Remaining Balance | \$967,409.40 |



| BREAKDOWN OF EXPENDITURES | |
|---------------------------|--------------|
| Repair Cost | \$775,053.96 |
| Outreach | \$59,7776.64 |
| GDAT Invoices | \$64,960.00 |
| Total Expenditures | \$899,790.60 |

DESCRIPTION OF EXPENDITURES:

Repair Costs: Payments made to VVRP Approved Repair Facilities for the approved repairs of vehicles that qualified for the VVRP

Outreach: Up to 5 percent of the VVRP fund may be used to educate the public about the program pursuant to A.R.S. §49-474.03(F); in FY19, 3.20 percent of the fund was used for this purpose and included:

- Printing costs paid to third-party vendors for VVRP flyers given to the driver when a vehicle fails an emissions test
- Signage at emissions testing stations
- Billboards advertising the program in Maricopa County and Pima County

GDAT Invoices: ADEQ contracts with Gordon-Darby Arizona Testing (GDAT) to manage emissions testing facilities and operations in Arizona; at a cost of \$40.00 per vehicle, GDAT performs the following functions for the VVRP:

- Explanation of the program and other prequalification labor efforts to customers at emissions testing stations
- Additional tailpipe tests at emissions testing stations for vehicles with an on-board diagnostic (OBD) system
- Validation of repair invoices through visual inspection at the waiver lane during retesting
- Processing and payment of VVRP Approved Repair Facility invoices
- Monthly invoicing to ADEQ
- Daily reporting

VEI FUND

ADEQ leverages the experience of existing VEI staff to assist in overseeing the VVRP. These ADEQ staff members perform various tasks to reduce fraud and encourage participation in the program. The administrative cost of VEI staff time is supported by the VEI fund.

DESCRIPTION OF FUNCTIONS:

Vehicle Verification: ADEQ staff compare the reported VIN number to MVD registration records to verify that the vehicle meets the VVRP requirements

Invoicing Verification: ADEQ staff review submissions from VVRP Approved Repair Facilities for remittance of payment, verify the repairs are consistent with the automotive industry’s parts and labor guide, and immediately address any discrepancies on invoices

| ADMINISTRATIVE TASK/FUNCTIONS | |
|-------------------------------|---------------------|
| Vehicle Verification | \$13,014.21 |
| Invoicing Verification | \$19,199.74 |
| Data Entry | \$65,073.16 |
| Site Visits | \$4,398.11 |
| GDAT Waiver Visits | \$5,674.98 |
| Outreach | \$567.50 |
| Report/Summaries | \$1,387.22 |
| Questions/Externals | \$4,106.48 |
| Application Verification | \$141.87 |
| Accounting/Payment | \$246.31 |
| Total | \$113,809.59 |

Data Entry: ADEQ staff enter customer agreements, invoices with balance noted, copies of MVD registration and failed/passing vehicle inspection reports

Site Visits: ADEQ staff perform a site visit for all potential repair facilities to verify that all equipment and certified personnel are in place to be a VVRP Approved Repair Facility; when warranted, a site visit is conducted on facilities that ADEQ may suspect of not adhering to the VVRP repair guidelines, required certifications and computer software

GDAT Waiver Visits: ADEQ staff audit GDAT technicians at emissions testing stations to ensure post-repair verifications follow the VVRP guidelines

Outreach: ADEQ staff develop, display and distribute materials for outreach to potential eligible vehicle owners for participation in the VVRP; materials are generally in both English and Spanish

Reports/Summaries: A.R.S. §49-474.03(G) requires ADEQ submit a progress report to the legislature by December 1 of each year; ADEQ also submits quarterly reports to Maricopa County and Pima County

Questions/Externals: ADEQ staff answer calls, providing information to repair facilities and vehicle owners who inquire about the program and assisting VVRP Approved Repair Facilities with questions about the payment process

Application Verification: ADEQ staff review applications for completeness and verify that all requirements are met for a vehicle owner to qualify for the VVRP or for a repair facility to become a VVRP Approved Repair Facility

Accounting/Payment: ADEQ staff review invoices for accuracy and ensure that the VVRP is not being used fraudulently

AQF FUND

Earned savings in the AQF fund were used to fund targeted outreach to potential customers using mobile devices and computers to watch videos. The AQF fund can be utilized to fund programs focused on emission reductions pursuant to A.R.S. §49-551(C).

| FUNCTION | COST |
|-----------------|------------|
| Outreach Videos | \$2,000.00 |

APPENDIX B: VEHICLES REPAIRED FOR MODEL YEAR, REPAIR COSTS AND EMISSIONS REDUCTIONS

| MODEL YEAR | COUNT | PROGRAM COST | TOTAL EMISSIONS REDUCTION (TONS) |
|------------|-------|--------------|----------------------------------|
| 1967 | 5 | \$2,066.12 | 1.180 |
| 1971 | 1 | \$22.28 | 0.236 |
| 1972 | 1 | \$126.51 | 0.236 |
| 1973 | 2 | \$271.33 | 0.472 |
| 1975 | 2 | \$1,100.00 | 0.472 |
| 1976 | 1 | \$475.35 | 0.236 |
| 1977 | 2 | \$516.23 | 0.472 |
| 1978 | 2 | \$337.48 | 0.472 |
| 1979 | 6 | \$2,101.39 | 1.416 |
| 1980 | 2 | \$907.65 | 0.472 |
| 1981 | 4 | \$1,516.24 | 0.572 |
| 1982 | 1 | \$547.42 | 0.112 |
| 1983 | 4 | \$1,871.30 | 0.572 |
| 1984 | 8 | \$3,081.06 | 1.268 |
| 1985 | 6 | \$2,853.41 | 0.920 |
| 1986 | 14 | \$4,739.40 | 2.436 |
| 1987 | 13 | \$5,424.59 | 1.828 |
| 1988 | 21 | \$10,218.18 | 3.097 |
| 1989 | 27 | \$12,782.78 | 3.769 |
| 1990 | 26 | \$11,800.51 | 3.781 |
| 1991 | 36 | \$17,686.65 | 4.901 |
| 1992 | 47 | \$21,724.38 | 7.125 |
| 1993 | 40 | \$18,835.44 | 5.349 |

Appendix B chart continued on Page 12

| MODEL YEAR | COUNT | PROGRAM COST | TOTAL EMISSIONS REDUCTION (TONS) |
|-------------|-------|--------------|----------------------------------|
| 1994 | 74 | \$37,148.34 | 9.776 |
| 1995 | 86 | \$42,371.13 | 11.368 |
| 1996 | 25 | \$12,153.19 | 7.713 |
| 1997 | 45 | \$22,202.39 | 13.943 |
| 1998 | 51 | \$25,591.44 | 15.811 |
| 1999 | 67 | \$32,477.18 | 20.796 |
| 2000 | 98 | \$48,943.28 | 30.452 |
| 2001 | 139 | \$70,072.20 | 43.299 |
| 2002 | 142 | \$68,137.46 | 44.157 |
| 2003 | 155 | \$70,617.52 | 48.283 |
| 2004 | 148 | \$70,830.60 | 46.102 |
| 2005 | 157 | \$74,064.73 | 48.907 |
| 2006 | 128 | \$61,231.55 | 39.873 |
| 2007 | 38 | \$18,207.25 | 11.837 |
| Grand Total | 1,624 | \$775,053.96 | 433.711 |



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