

Emissions Enterprise Fund

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Issue

This report answers several questions about the Emissions Enterprise Fund.

When and how was the fund established?

PA 78-335 established the state's motor vehicle emissions inspection and maintenance (I/M) program and the Emissions Inspection Fund. The fund was created to contain inspection fee revenue and federal grants, among other things, and was to be used for paying the costs of administering the I/M program. PA 79-238 modified the I/M program by (1) requiring the Department of Motor Vehicles (DMV) to contract with a private entity to administer the program, (2) raising the maximum inspection fee from \$5 to \$10, (3) pushing out the program's implementation date by one year, and (4) eliminating the fund. According to House floor debate transcripts, the legislature eliminated the fund to handle I/M funding through the General Fund, as was done with other programs.

However, in 1982, the governor re-established the fund through an administrative process pursuant to [CGS § 4-31a\(c\)](#). This law allows both the legislature and the governor to establish state funds.

According to records provided to us by DMV, the DMV commissioner asked the governor to re-establish the Emissions Inspection Fund to be used exclusively for I/M program contractual and administrative expenses. The governor approved the fund in December of 1982. (The fund is referred to as both the Emissions Inspection Fund and the Emissions Enterprise Fund; "enterprise fund" is a governmental accounting term used for funds containing fees that pay for a government

service and make the service self-supporting.) According to State Auditors’ reports, from 1982 to 2001 the fund derived its revenue primarily from inspection fees and sales of inspection stickers to dealers and fleets.

What changes have been made to the fund?

The legislature modified the I/M program and the fund several times in the three-plus decades since their establishment. Table 1 provides a timeline of legislative changes to either the fund or its funding sources.

The most significant change came in 2001 when the legislature decentralized the I/M program ([PA 01-09, June Special Session \(JSS\)](#)). Prior to 2001, the I/M program was centralized and a single contractor operated all inspection locations across the state. Since 2001, approved motor vehicle repairers perform emissions inspections and the contractor (currently Applus Technologies Incorporated) administers the program (e.g., by certifying inspectors). This change prompted the most significant change in the fund’s revenue stream—under this decentralized system, the emissions tester keeps the inspection fee, rather than it going into the fund as it previously had. Since 2001, the fund, and therefore the program’s administrative costs, have been funded primarily by quarterly transfers of revenue from the emissions test late fee and the clean air act fee, which is a \$10 flat fee paid on motor vehicle registrations ([CGS § 14-164m](#)).

Table 1: Legislative Changes to the Emissions Enterprise Fund or Funding Sources

<i>Public Act</i>	<i>Details</i>
78-335	Established the I/M program and the fund
79-238	Modified the I/M program and eliminated the fund; raised the maximum fee from \$5 to \$10
80-458	Eliminated a requirement that the inspection fee cover the contractor and state costs; required that excess costs of the I/M program be borne by the state
90-299	Established a \$10 emissions test late fee, the proceeds of which were deposited in the General Fund
91-355	Authorized emissions inspection stations to perform vehicle safety inspections (prior law required DMV to perform the inspections); required that safety inspection fees collected by emissions inspection stations be deposited in a separate “safety inspection account” within the Emissions Inspection Fund
91-13, JSS	Required that any emissions inspection fee revenue in excess of the administrative and contractor costs of the I/M program be deposited in the General Fund
92-156	Required the \$10 inspection fee to terminate when the existing contract expired and the DMV commissioner to establish a temporary fee until the legislature established a new one

Table 1 (continued)

<i>Public Act</i>	<i>Details</i>
93-312	Eliminated the diversion of excess inspection fee revenue to the General Fund
96-167	Increased late fee to \$20; required that late fee revenue be split 50/50 between Emissions Enterprise Fund and General Fund
97-309	Required all emissions test late fee revenue to be deposited in the Special Transportation Fund (STF)
00-169	Established new inspection fees—\$10 for annual inspection, \$20 for biennial inspection
00-180	Required that emissions inspection fee be paid “in a manner prescribed by the DMV commissioner” (thus authorizing the commissioner to allow emissions test centers to keep the inspection fee)
01-09, JSS	Modified the I/M program to allow for a decentralized system; required the Comptroller to transfer each quarter, from the STF to the Emissions Enterprise Fund, \$1.625 million of revenue generated by emissions test late fees and the clean air act fees
05-03, JSS	Reduced quarterly transfers during FY 06 and FY 07 to \$400,000 and \$1 million, respectively; quarterly transfer of \$1.625 million resumed in FY 08
17-2, JSS	Reduced quarterly transfers from \$1.625 million to \$1.375 million

Does federal law place any restrictions or requirements on the fund?

The [Federal Clean Air Act](#) (CAA) requires states to develop and implement plans to reduce and control pollutants in the air. Among other things, U.S. Environmental Protection Agency (EPA) regulations require states that have not attained their goals for carbon monoxide emissions or ozone pollution (which includes Connecticut) to operate an emissions I/M program ([40 C.F.R. §51.350 et seq.](#)). States that do not comply with the CAA’s requirements face significant federal sanctions, such as a loss of most of their federal highway funding.

Although federal law requires the state to operate the I/M program, we did not find any EPA regulations that place restrictions on how states fund their I/M programs or how they use I/M program funds, with one exception. The exception is that a state’s eligibility for CAA-related federal grants generally depends on its maintenance of effort. In other words, a state generally cannot reduce its expenditures on air pollution control programs and remain eligible for these federal grants ([42 U.S.C.A. § 7405\(c\)](#)).

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