



Fiscal Note
Legislative Council Staff
Nonpartisan Services for Colorado’s Legislature

SB 25-321: MOTOR VEHICLE EMISSIONS INSPECTION FACILITIES

Prime Sponsors:

Sen. Kirkmeyer; Rodriguez
Rep. Joseph

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Published for: Senate Transportation & Energy
Drafting number: LLS 25-0469

Version: Initial Fiscal Note
Date: April 30, 2025

Fiscal note status: The fiscal note reflects the introduced bill. Due to time constraints, this analysis is preliminary and will be updated following further review and any additional information received.

Summary Information

Overview. The bill modifies requirements for motor vehicle emissions inspections in the Front Range.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Transfers
- State Diversions
- Local Government

Appropriations. No appropriation is required, as the Motor Vehicle Emissions Assistance Fund is continuously appropriated to the Department of Public Health and Environment.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$1,000,000	\$1,005,674
Change in TABOR Refunds	\$0	\$0
Change in State FTE	3.0 FTE	3.0 FTE

¹ Fund sources for these impacts are shown in the tables below.

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$0
Community Impact Cash Fund	-\$1,000,000	-\$1,000,000
Motor Vehicle Emissions Assistance CF	\$941,535	\$941,535
Highway Users Tax Fund	\$0	-\$5,674
DRIVES Account	\$0	\$5,674
Centrally Appropriated	\$58,465	\$58,465
Total Expenditures	\$0	\$0
Total FTE	3.0 FTE	3.0 FTE

Table 1B
State Diversions and Transfers

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$0
Community Impact Cash Fund	-\$1,000,000	-\$1,000,000
Motor Vehicle Emissions Assistance CF	\$1,000,000	\$1,000,000
Highway Users Tax Fund—AIR Account	\$0	-\$5,674
DRIVES Account	\$0	\$5,674
Net Transfer	\$0	\$0

Summary of Legislation

The bill modifies procedures related to vehicle emissions inspections in the enhanced emissions program area in the Front Range.

Emissions Inspections Contracts

Emissions inspections are performed by a contractor. Under current law, the maximum inspection fee is \$15 for vehicles model year 1981 and older, and \$25 for vehicles model year 1982 and newer. The bill lets the Department of Public Health and Environment (CDPHE) set the fee levels, with maximums of \$30 and \$50, respectively. The bill repeals the restriction that emissions inspection contracts may not be longer than 4 years.

Legally Noncompliant Vehicles

CDPHE may adopt rules requiring inspections for Colorado vehicles registered outside the enhanced emissions program area but identified as high-emitting by the Clean Screen Program and for vehicles registered outside the program area but that regularly operate within the inspection area. The latter begins April 1, 2027. If a vehicle's emissions control system has been disconnected, CDPHE may report the vehicle to the Department of Revenue (DOR).

Grant Programs

Under current law, certain penalties for violations of air quality regulations accrue to the Community Impact Cash Fund. The bill diverts the first \$1 million of collected penalties and fines to the new Motor Vehicle Emissions Assistance Fund. At the end of each year, any fund balance above \$250,000 is transferred back to the Community Impact Cash Fund. CDPHE may use the new fund for grants to cover emissions inspection fees for individuals participating in public assistance programs and for repairs necessary to pass an emissions inspection.

State Revenue

The bill increases fees on Front Range vehicle owners, with no state revenue impact, as the fee is collected by a contractor. The bill may also increase revenue from gifts, grants, and donations.

Fee Impact on Front Range Vehicle Owners

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only; actual fees will be set administratively by CDPHE based on negotiations with the contractor. The table below identifies the maximum fee impact of this bill. While at least some fee revenue passes through the Clean Screen Authority, the fiscal note assumes that all the new revenue generated by the fee increase is paid to the contractor operating the emissions inspections, with no net impact on the state. These fees are paid for about 1 million emissions inspections per year, based on 2022 annual reporting.

Table 2
Annual Emissions Inspection Fee Impact on Front Range Vehicle Owners

Vehicle Model Year	Current Fee	Maximum Fee Under SB 25-321	Maximum Fee Increase
Up to 1981	\$15	\$30	\$15
Since 1982	\$25	\$50	\$25

In addition, the bill subjects additional vehicles to the higher fees in the enhanced emissions area. Vehicles currently registered outside this area pay a fee of \$15, and if required by new rules to complete an emissions inspection in the enhanced emissions area will pay a fee of up to \$50.

Gifts, Grants, and Donations

The bill potentially increases state revenue to the Motor Vehicle Emissions Assistance Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Diversions and Transfers

Beginning in FY 2025-26, the bill diverts up to \$1 million each year from the Community Impact Cash Fund to the Motor Vehicle Emissions Assistance Fund. And the end of each fiscal year, any fund balance above \$250,000 is transferred from the Motor Vehicle Emissions Assistance Fund to the Community Impact Cash Fund.

On July 1, 2026, the bill requires a transfer of \$5,674 from the AIR Account in the Highway Users Tax Fund to the DRIVES Account.

State Expenditures

The bill increases state expenditures by about \$1 million beginning in FY 2025-26 and reduces state expenditures by the same amount in other programs. These costs will be incurred in CDPHE and DOR as shown in Table 2 and described in the sections below. Costs are paid from the various funds, as described below.

Table 2
State Expenditures
All Departments

Department	Budget Year FY 2025-26	Out Year FY 2026-27
CDPHE—Motor Vehicle Emissions Assistance Fund	up to \$1,000,000	up to \$1,000,000
CDPHE—Community Impact Cash Fund	up to -\$1,000,000	up to -\$1,000,000
CDPHE—AIR Account	\$0	-\$5,674
Department of Revenue	\$0	\$5,674
Total Costs	\$0	\$0

Department of Public Health and Environment

The bill affects workload in CDPHE regarding the new grant program, the Environmental Justice Grant Program, and the automobile inspection and readjustment program.

Table 2A
State Expenditures
Department of Public Health and Environment

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$227,938	\$227,928
Operating Expenses	\$3,840	\$3,840
Capital Outlay Costs	\$20,010	\$0
New Grant Program	up to \$689,757	up to \$709,767
Environmental Justice Grant Program	up to -\$1,000,000	up to -\$1,000,000
Air Emissions Programs	\$0	-\$5,674
Centrally Appropriated Costs	\$58,465	\$58,465
Total Costs	\$0	-\$5,674
Total FTE	3.0 FTE	3.0 FTE

New Grant Program

The bill makes \$1 million available each year for CDPHE to award grants for additional emissions inspections and vehicle repairs. This effort requires an estimated 3.0 FTE beginning in FY 2025-26. Standard operating and capital outlay costs are included. After covering these administrative expenses, about \$700,000 is available for grants. These costs are paid from the Motor Vehicle Emissions Assistance Fund.

Environmental Justice Grant Program

The bill may reduce funding for existing programs funded from the Community Impact Cash Fund by up to \$1 million each year. Actual changes in expenditures will depend on the amount of revenue that would be credited to the fund and programmatic decisions made by CDPHE staff.

Air Emissions Programs

In FY 2026-27 only, expenditures from the AIR Account may decrease by the amount transferred to the Department of Revenue.

Department of Revenue

The bill requires \$5,674 for DRIVES programming in FY 2026-27 only to allow permanent registration for certain trailers and to update accounting functions and reporting.

Other State Agencies

The bill increases expenditures in state agencies that register vehicles, which notably includes:

- the state fleet operated by the Department of Personnel and Administration;
- the Department of Transportation;
- the Department of Public Safety;
- the Department of Natural Resources; and
- state institutions of higher education

These costs will be accounted for through the annual budget process.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in the expenditure table above.

Local Government

The bill increases expenditures for local governments in the enhanced emissions area to pay higher emissions inspection fees for vehicles they register.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Public Health and Environment

Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).