

**HOUSE COMMITTEE ON AGENCY OVERSIGHT AND EFFICIENCY**

January 30, 1997 Hearing Room H-170

1 P.M. Tapes 8-10

**MEMBERS PRESENT:**

Rep. Jane Lokan, Chair

Rep. Richard Devlin, Vice-Chair

Rep. Ryan Deckert

Rep. Steve Harper

Rep. Eldon Johnson

Rep. Mike Lehman

**MEMBER EXCUSED:**

Rep. Tom Brian

**STAFF PRESENT:**

Brian Griffin, Administrator

Valerie Luhr, Administrative Support

Jennifer Peck, Committee Clerk

**MEASURE/ISSUES HEARD:**

DEQ Vehicle Inspection Program

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

Tape/#	Speaker	Comments
TAPE 8, A		
005	Chair Lokan	Calls the meeting to order at 1:02 p.m. Reps. Lehman, Brian, and Deckert are not in attendance at this point. Comments on the tentative agendas for next week (February 4 and 6).
		Rep. Deckert arrives at 1:04 p.m.

031	Brian Griffin	Committee Administrator. Comments on the glossary of terms [EXHIBIT A]. For the committee's information, there is a one-page list of the bills that have been referred to the committee. Reads the letter [EXHIBIT B] from the Washington State Department of Ecology about their contract services.
056	Vice-Chair Devlin	Asks Chair Lokan how the committee should address their questions to the state of Washington.
060	Chair Lokan	Questions should come through the committee.
064	Vice-Chair Devlin	Believes that would be beneficial. Says he would like to know if they have had the same contractor the entire time, what adjustments have been requested by contractor for increased costs over the period, and whether there have been any changes in the scope of work.
073	Chair Lokan	Comments that the committee is following up on a budget note from the 1995 session to look at contracting out the vehicle emission testing program.
082	Vice-Chair Devlin	Also asks for Washington's wage scale for the workers and benefits provided as part of the contract.
<b><u>DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ) VEHICLE INSPECTION PROGRAM</u></b>		
088	Greg Green	Air Quality Administrator, DEQ. Introduces Ed Woods and Helen Lottridge. Says he is here to fulfill an obligation requested by the 1993 legislature to do a report on the vehicle inspection program privatization. Briefly reviews the department's testimony from last week (January 23). Submits and summarizes written information [EXHIBIT D].
155	Chair Lokan	Will defer questions until presentation is finished.
160	Green	Continues presentation.
205	Green	Continues presentation.
270	Green	Continues presentation.
324	Green	Continues presentation.
372	Green	Continues presentation.
TAPE 9, A		
006	Green	

		Continues presentation. References letters the program has received from their customers [EXHIBIT D].
035	Rep. Johnson	Asks if DMV pays them to issue vehicle registration tags.
036	Green	Explains they pay DMV because of an increased work load for DMV.
041	Rep. Johnson	Asks for a description of some of the transition costs.
042	Green	Says most of the transition costs would involve writing the RFP and the negotiations involved.
051	Harper	Asks why it was decided to not decentralize the program.
053	Green	Comments on the process to develop a maintenance plan to keep within standards for a ten-year period. Comments on emission reduction credits from the Environmental Protection Agency (EPA).
070	Rep. Harper	Asks if they can quantify the penalty for a decentralized program.
071	Ed Woods	Manager, Vehicle Inspection Program, DEQ. Explains the EPA grants about 50 percent credit for a decentralized programs.
079	Rep. Harper	Wants an explanation of the five percent differential in the fee costs.
083	Woods	Explains the additional costs of the agency's oversight is what balances out the difference.
091	Rep. Harper	Asks for the dollar amount of the difference.
092	Woods	Will provide the information; it is in the Radian report.
096	Rep. Harper	Asks why it will take 14 months to phase in the enhanced program.
098	Woods	Explains the 14-month estimate is based on the processes other states have gone through for contracting out their programs.
109	Rep. Harper	Ask if we would still be still testing under the state-run system during the phase-in period.
110	Woods	Explains the basic program would continue as it is now, but a delay in implementing the enhanced program is a serious threat to their maintenance plan and meeting air quality standards for the summer of 1998.
118	Rep. Harper	Asks if they recommend delay of the decision or not do it at all.

122	Green	Says their recommendation is to delay the decision. Believes the state can run a better program than a contractor. Asks for the opportunity to protect the air shed.
135	Rep. Lehman	Requests clarification of the 35 percent reduction in salary compensation with a contractor and the five percent reduction in the fee.
142	Woods	Explains in a state-run program extra staff is not needed to oversee the program; but in a contractor-run program they must do all of the same things the state must do, plus there is a core group of state employees needed to make sure the program is appropriately implemented.
154	Rep. Lehman	Summarizes that there would be less pay for people in a contracted-out system and also more people compared to system we have today.
156	Woods	Concurs.
158	Rep. Harper	Requests a breakdown of how the money will be spent. A reduction in the fees would be desirable.
162	Chair Lokan	Requests specific cost analysis.
165	Green	Refers to the chart explaining fee comparison [EXHIBIT E].
176	Vice-Chair Devlin	Observes that a private contractor must have profit.
182	Chair Lokan	Comments on her experience at a vehicle test site. Expresses her concern about how customers will react to the new system and processes.
213	Green	Expresses his concerns about changes.
231	Chair Lokan	References the letter from Mr. Marsh [EXHIBIT F] and asks Mr. Green if they want to discuss the information now.
241	Rep. Deckert	Referencing the comments about a mini-revolt in some states, asks for clarification.
246	Green	Comments on the attempt to implement an enhanced program in Maine and the programs in Texas, Michigan, and California
274	Rep. Deckert	Asks if any states are making money from privatized programs.
281	Green	Says that most states are subsidizing the vehicle inspection programs. Oregon is one of the few states where fee pays for entire program.
288	Rep. Johnson	Asks for a summarization of the enhanced programs compared to what is currently done.

291	Woods	Explains the basic program is an idle test. Explains the use of the dynamometer under the new program.
320	Rep. Johnson	Regarding evaporative emissions from a gas tank, asks at what point in the life of a car do the problems start to occur.
326	Woods	Says they keep statistics on failure rates by age of vehicle. Failure rates are low for the first five years of a car.
342	Rep. Johnson	Asks if we are required to operate the enhanced program.
346	Woods	Portland is in violation of federal standards, but we are the closest category to compliance. EPA did not mandate an enhanced program for our area. Comments on the actions of the legislature four years ago to maintain clean air.
370	Vice-Chair Devlin	Is it possible to exempt a vehicles until its fourth year and thereby increase the work load and not require as much expansion of the program.
384	Woods	Explains how the program proposed to EPA for the enhanced program includes both tests.
407	Vice-Chair Devlin	Asks about exempting vehicles under four years from the basic test and the impact on work load.
412	Woods	Explains it would impact work load and the emission reductions.
<b>TAPE 8, B</b>		
006	Rep. Harper	Comments on the extensive briefing of the enhanced program at the previous committee meeting. Clarifies the committee's focus is who runs the program, not the program itself.
011	Green	Says that the 1993 legislature passed HB 2214, which directed DEQ to implement the enhanced program.
015	Chair Lokan	Asks if the EPA mandated the basic test for Oregon.
018	Green	Says when the basic program was implemented in the late 1970s and early 1980s, health quality standards were violated one out of every three days.
025	Chair Lokan	Referring to the information from Mr. Marsh [EXHIBIT F], asks for clarification on the 99 new positions and the cost of the IM 240 test.
033	Green	Explains the figures in the report are based on the new approach to the test.
040	Chair Lokan	Requests the committee to consider any budgetary questions and asks the representatives from DEQ to return.

044	Green	Says they will be glad to come back, and the packet submitted today answer questions already asked by the committee.
053	Joe Bernard	Executive Director, Automotive Service Association of Oregon. Comments on the testing procedures currently used and the quality of the work performed by DEQ. Submits and summarizes written information [EXHIBIT G] on enhanced emission programs in other states.
110	Bernard	Continues presentation.
160	Bernard	Continues presentation.
220	Bernard	Continues presentation.
270	Bernard	Continues presentation. Introduces Jim Houser.
298	Jim Houser	Portland, Oregon; owner and operator of Hawthorne Auto Care Clinic.
307	Rep. Harper	Asks Houser if there is a way to get around the penalty for decentralization from the EPA.
316	Houser	Is not aware of the legal or EPA restrictions. Comments on what could happen if a repair business fails someone's car. Comments in opposition to a decentralized system.
342	Bernard	Comments on a poll of ASA members that is being done.
351	Rep. Lehman	Comments on the repair shops failing or giving invalid test results to encourage more repairs being done at a shop.
358	Bernard	Comments on the honesty of automotive people in the state of Oregon.
366	Rep. Lehman	It creates the impression that that may be going on whether it really is.
369	Bernard	Says executive directors are in favor of the centralized contractor-operated test systems.
386	Chair Lokan	Asks Bernard if he feels the 14-month phase in to a contractor system is accurate.
391	Bernard	To prevent "sticker shock" the 14-month phase in might be good. Comments on the failure of the enhanced emission station in Hillsboro.
TAPE 9, B		
001	Ed Woods	DEQ did install an IM 240 lane in Hillsboro to gain experience. Authority was granted by the 1993 legislature. Had problems with the equipment but learned a lot. Comments on the testing of about four hundred vehicles.
024		

	<b>Jim Wilson</b>	<b>Envirotest Systems, Inc., a centralized private emissions testing company. Introduces Micki Phillips, general manager of the Washington State program, and Michael Hackel, Washington's technical support manager. Gives a brief overview of Envirotest, whose headquarters are in Sunnyvale, California. To date, they have tested over 117 million vehicles.</b>
<b>062</b>	<b>Wilson</b>	<b>Gives an overview of what a typical state does when it wants to privatize and what Envirotest will do to bid on a program. Clarifies the 14-month period from the time they sign a contract until the doors are open for business.</b>
<b>091</b>	<b>Chair Lokan</b>	<b>Asks if 14 months is the maximum.</b>
<b>097</b>	<b>Wilson</b>	<b>In 14 months they could design a build a new network of buildings.</b>
<b>124</b>	<b>Wilson</b>	<b>Discusses range of services provided by Envirotest:</b> <ul style="list-style-type: none"> <li><b>* network analysis and construction</b></li> <li><b>* equipment design and integration</b></li> <li><b>* software development</b></li> </ul>
<b>138</b>	<b>Chair Lokan</b>	<b>Asks if they issue any permits, licenses, or registrations.</b>
<b>140</b>	<b>Wilson</b>	<b>Says they are in negotiations with some states.</b>
<b>155</b>		<b>* Working with the repair sector</b>
<b>195</b>	<b>Wilson</b>	<b>Comments on privatization issues. Is familiar with the program in Oregon.</b>
		<b>Rep. Lehman leaves at 2:37 p.m.</b>
<b>219</b>	<b>Wilson</b>	<b>* Training technicians to do the new test</b> <b>* Set-up time in Oregon should not take 14 months</b> <b>* State revolts in Maine, Texas, Pennsylvania, Michigan, and Colorado</b>
<b>251</b>	<b>Chair Lokan</b>	<b>In terms of costs, asks Wilson how he thinks contractor-run programs have progressed.</b>
<b>255</b>	<b>Wilson</b>	<b>Discusses fee levels for enhanced and basic programs. Highest fees are in Colorado.</b>
<b>274</b>	<b>Rep. Johnson</b>	<b>Asks if the programs they operate have one or two-year cycles.</b>
<b>278</b>	<b>Wilson</b>	<b>Says it varies by state.</b>
<b>293</b>		

	<b>Rep. Deckert</b>	<b>Asks how often they renegotiate contracts in Washington.</b>
<b>298</b>	<b>Micki Phillips</b>	<b>Explains the contract negotiations with the state of Washington.</b>
<b>308</b>	<b>Rep. Deckert</b>	<b>Asks how many companies bid for the contract in 1993.</b>
<b>310</b>	<b>Phillips</b>	<b>Says there were five bidders.</b>
<b>312</b>	<b>Chair Lokan</b>	<b>Ask Phillips how she thinks costs in Washington compare state-run versus contractor-run.</b>
<b>318</b>	<b>Phillips</b>	<b>Has not had experience with the state-run operation. They keep eight dollars of their fees and the state gets four dollars.</b>
<b>333</b>	<b>Wilson</b>	<b>Says in the states in which they operate a portion of the fee collected goes to the state to cover administrative costs and the test fee is not subsidized by the state.</b>
<b>360</b>	<b>Vice-Chair Devlin</b>	<b>Asks how long it takes to prepare bids.</b>
<b>380</b>	<b>Wilson</b>	<b>Preparing an RFP is up to the state. Generally a 60-day response time to receive bids.</b>
<b>408</b>	<b>Vice-Chair Devlin</b>	<b>Asks Wilson who are Envirotest's major competitors.</b>
<b>411</b>	<b>Wilson</b>	<b>They do majority of the work in the country. Gordon-Darby is a competitor.</b>
<b>TAPE 10, A</b>		
<b>015</b>	<b>Rep. Harper</b>	<b>Is it feasible for companies to bid on an RFP that just looked for outcomes.</b>
<b>018</b>	<b>Wilson</b>	<b>DEQ has implementation plan under EPA and must meet certain reductions. RFPs must meet the requirements already put in by DEQ.  Comments on the state labor components for other states.</b>
<b>045</b>	<b>Rep. Deckert</b>	<b>Asks Wilson if they use existing facilities when they take over an operation.</b>
<b>048</b>	<b>Wilson</b>	<b>Transition so far has been from one private contractor to another. New facilities might be needed depending upon requirements.</b>
<b>068</b>	<b>Chair Lokan</b>	<b>Questions the impact on air quality during construction of facilities.</b>
<b>072</b>	<b>Wilson</b>	<b>Says that people may still go to another facility if the one they deal with is being worked on.</b>



075	Chair Lokan	Asks for a comparison of the labor component between state-run and privately run operations.
079	Wilson	Says they use a considerable number of part-time employees. They have an intensive training program. Customer service and satisfaction is important.
115	Chair Lokan	Asks Phillips about their customer satisfaction level.
119	Phillips	Says Washington is at a 90 percent approval rate.
130	Chair Lokan	Asks what the is the main reason a state would go to a contract-run program versus a state-run program.
135	Wilson	Most states have done it to reduce state costs and levels of service.
150	Michael Hackel	Technical Support Manager, Envirotest, state of Washington. Comments on their striving for good public service.
172	Vice-Chair Devlin	Expresses his concern about the decline in number of full-time positions.
179	Wilson	Says there are a lot of people who want to work just part-time, and they do have a core group of full-time employees.
206	Chair Lokan	Adjourns the meeting at 3:00 p.m.

Submitted By, Reviewed By,

Valerie H. Luhr Brian Griffin

Administrative Support Specialist Administrator

**EXHIBIT SUMMARY**

A - DEQ Vehicle Inspection Program, written material, committee staff, 1 p.

B - DEQ Vehicle Inspection Program, written material, committee staff, 2 pp.

C - DEQ Vehicle Inspection Program, written material, Greg Green, 15 pp.

D - DEQ Vehicle Inspection Program, written material, Greg Green, 21 pp.

E - DEQ Vehicle Inspection Program, written material, Greg Green, 1 p.

F - DEQ Vehicle Inspection Program, written material, committee staff, 8 pp.

G - DEQ Vehicle Inspection Program, written material, Joe Bernard, 10 pp.