Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 1220 (Delegate Guns)
Environmental Matters

Air Quality - Ozone Transport Region - Exclusions

This bill requires that by October 1, 1996, the Governor and the Secretary of the Maryland Department of the Environment (MDE) take all actions authorized under the federal Clean Air Act to remove from the Ozone Transport Region any metropolitan statistical area or county within which control of emissions will not significantly contribute to the violation of the national ambient air quality standard for ozone in any area in the Ozone Transport Region.

MDE may not impose or continue any requirement to comply with the Vehicle Emissions Inspection Program (VEIP), or the reduction of vehicle miles traveled, in any metropolitan statistical area or county that is so removed from the Ozone Transport Region.

By January 8, 1997, the Governor and Secretary of MDE must report to specified committees on the actions undertaken according to the provisions of this legislation. The bill is effective June 1, 1996.

Fiscal Summary

State Effect: Potential indeterminate decrease in special fund revenues, with potential significant special fund increase through the sale of VEIP facilities. Administrative expenditure increase of $89,300 for FY 1997 only, with the potential for an indeterminate decrease in special fund expenditures.

Local Effect: None.

Fiscal Analysis

Background: The Vehicle Emissions Inspection Program was enacted in 1979 to comply with the federal Clean Air Act. Implementation was postponed, but was later authorized to begin by January 1984 following the threat of federal sanctions. The State awarded a contract to Systems Control, Inc. (SCI) in 1981; this contract was modified to accommodate the delays in the program and was extended through 1994.

In 1990 the federal Clean Air Act Amendments were adopted, requiring more stringent air quality standards. Since Maryland had an existing contract with SCI, the Environmental Protection Agency (EPA) allowed Maryland an extension until January 1, 1995 to implement an enhanced program. This new program involved more comprehensive test procedures, and increased the counties affected from 8 to 14. In July 1993 the Board of Public Works awarded a $96.9 million contract to construct and operate the new testing system to MARTA Technologies, Inc. The operating contract consists of a three-year base period with two one-year options. If the options are exercised, the operating contract period would run from January 1995 to December 1999.

However, in 1994 public opposition to the VEIP program grew, and several states suspended plans to implement enhanced emissions testing programs. In Maryland, Chapter 489 of 1995 delayed the implementation date of the enhanced VEIP program to June 1, 1996. In addition, delays by MARTA in implementing the VEIP program delayed all testing from January 1995 until June 1995. Subsequent contract renegotiations with MARTA lowered the contract award by approximately $1 million.

State Effect:

Clean Air Act Requirements

It is assumed that any changes in the parts of Maryland included in the Ozone Transport Region would first be approved by the Environmental Protection Agency. Therefore, federal sanctions would not be imposed.

However, to the extent that any metropolitan statistical area or county is withdrawn from the Ozone Transport Region due to the provisions of this bill, overall reductions in ozone components could potentially be reduced. If the removal of areas from the Ozone Transport Region is dependent upon a determination that the removal will not negatively affect overall attainment levels, then overall reductions would not be threatened. However, if areas that are in attainment with air quality standards are removed without consideration of how that removal would affect Maryland's overall attainment, then overall reduction standards could indeed be threatened. Under this scenario, MDE may require emissions reductions in other areas such as business and industry. Recent federal flexibility regarding Clean Air Act requirements make the likelihood of federal sanctions difficult to predict. However, should Maryland fail to achieve air quality standards required by federal law, State and regional sanctions of up to $200 million in federal transportation funds could potentially be imposed.

MDE Administrative Costs

To obtain approval from the EPA to remove certain parts of Maryland from the Ozone Transport Region, MDE would have to justify its request for removal. This would require investigations to identify sources, prepare emissions inventories, study air pollution transport, perform computer modeling, assess the impact of emissions control methods, provide for public review, and prepare all necessary documentation.

MDE would need to hire two Public Health Engineers for a period of one year in order to gather the needed data. General fund expenditures could increase by an estimated $89,292 in fiscal 1997. This estimate reflects the cost of hiring two contractual Public Health Engineer IIIs to gather the necessary information regarding county attainment levels. It includes salaries of $68,322, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$74,470
Operating Expenses	14,822
MDE FY 1997 Study Expenditures	**$89,292**

VEIP Expenditures and Revenues

By removing any counties from the VEIP program, operating costs as well as special fund revenues would be decreased. The amount of such a decrease cannot be estimated at this time, however, due to the uncertainty over if and how many counties would be removed from the Ozone Transport Region.

However, for illustrative purposes, if Washington and Queen Anne's counties were removed from the VEIP program, special fund revenues would decrease by $763,000 and operating costs would decrease by approximately $697,400. Exhibit 1 shows the expenditures and revenues associated with the Queen Anne's County VEIP station:

Exhibit 1
Queen Anne's County VEIP Station

Facility Construction Costs	$1,208,400
Contractor Operating Cost per year	315,000
State Operating Costs	26,900
VEIP Fee Revenues	$203,000

Note: State Operating Costs represent expenditures for one State station representative
Source: Motor Vehicle Administration (MVA)

The $1.2 million in facility construction costs represent sunk costs in this facility. However, these costs could be partially recovered through the sale of the facility site and using equipment at this site as inventory for replacement parts for the remaining VEIP test lanes throughout the State. The potential sale of the VEIP facility site would represent a special fund revenue increase, but an exact value cannot be estimated at this time. Using the equipment as inventory would decrease special fund expenditures on future equipment repairs or purchases.

State operating costs would decrease by $26,900 due to the closure of this station. In addition, contractor operating costs would decrease by an estimated $315,000, for a total of $341,900. VEIP fee revenues at this facility are anticipated at $203,000 annually. This is based on the assumption of 29,000 vehicles tested biennially at $14 per test. The total impact on the Transportation Trust Fund by fiscal 2001 is a decline in revenue of $1.02 million.

Exhibit 2 shows the expenditures and revenues associated with the Washington County VEIP station:

Exhibit 2
Washington County VEIP Station

Facility Construction Costs	$1,092,500
Contractor Operating Cost per year	315,100
State Operating Costs	40,400
VEIP Fee Revenues	$560,000

Note: State Operating Costs represent expenditures for two State station representatives
Source: Motor Vehicle Administration (MVA)

The $1.09 million in facility construction costs represent sunk costs in this facility. However, these costs could be partially recovered through the sale of the facility site and using equipment at this site as inventory for replacement parts for the remaining VEIP test lanes throughout the State. The potential sale of the VEIP facility site would represent a special fund revenue increase, but an exact value cannot be estimated at this time. Using the equipment as inventory would decrease special fund expenditures on future equipment repairs or purchases.

State operating costs would decrease by $40,400 due to the closure of this station. In addition, contractor operating costs would decrease by an estimated $315,111, for a total of $355,000. VEIP fee revenues at this facility are anticipated at $560,000 annually. This is based on the assumption of 80,000 vehicles tested biennially at $14 per test. The total impact on the Transportation Trust Fund by fiscal 2001 is a decline in revenue of $2.8 million.

The VEIP contract would have to be renegotiated for the State to realize the contractor operating cost savings in either county. It should be noted that if the MARTA contract is broken or modified, the State could potentially be held liable for costs including severance pay, unemployment payments, and overhead and development costs that otherwise would have been recouped through normal operations under the terms of the current contract. Should there be no negotiated settlement on these issues, then the case would go before the Board of Contract Appeals.

Information Source(s): Department of the Environment, Department of Fiscal Services

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