

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 927 (Delegate Myers, *et al.*)
 Environmental Matters

Vehicle Laws - Vehicle Emissions Inspection - Test Performed by Dealers

This bill authorizes licensed dealers to conduct an exhaust emissions test required under the Vehicle Emissions Inspection Program (VEIP). A test could only be conducted by means of an on-board diagnostics (OBD) test on specified vehicles. A dealer must collect the fee established under current law for VEIP tests (currently \$14) and is prohibited from imposing any additional fees. A dealer must report test results and forward fees collected on a monthly basis to the Motor Vehicle Administration (MVA).

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures would increase by \$231,800 in FY 2006 for personnel costs within the MVA and for reimbursements to the Maryland Department of the Environment (MDE). Future year estimates are annualized, adjusted for inflation, and reflect ongoing costs. Net TTF revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$0	\$0	\$0	\$0	\$0
SF Expenditure	231,800	182,100	193,400	205,700	218,900
Net Effect	(\$231,800)	(\$182,100)	(\$193,400)	(\$205,700)	(\$218,900)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: The bill would not directly affect local operations or finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The bill only applies to vehicles that are 1996 model year or newer, weigh less than 8,501 pounds, and are equipped with a computer controlled engine and fuel system. A test conducted under the bill could only be conducted on equipment that meets requirements established by the MVA.

Current Law/Background: In response to requirements of the federal Clean Air Act (CAA), Maryland has operated a vehicle emissions inspection and maintenance (I/M) program in various parts of the State since 1984. Under CAA, an enhanced I/M program must be implemented in ozone nonattainment areas classified as extreme, serious, or severe in order to reduce emissions of ozone precursors. In addition, Metropolitan Statistical Areas of 100,000 or more in the Ozone Transport Region must also have emissions inspection programs. Pursuant to CAA, VEIP has been established in Baltimore City and 13 counties (Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Frederick, Harford, Howard, Montgomery, Prince George's, Queen Anne's, and Washington). Emissions testing is not required in Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, St. Mary's, Talbot, Wicomico, and Worcester counties.

The MVA and MDE exercise joint authority over VEIP. Emissions testing in Maryland is operated as a centralized and privatized system. VEIP stations are State-owned with a contractor performing the tests and maintaining the facilities under State oversight. The VEIP testing network currently consists of 87 testing lanes at 19 centralized inspection stations located in 13 counties and Baltimore City.

All model year 1977 and newer vehicles in the State must be inspected and tested every two years for a \$14 fee; some vehicles are exempt. Approximately 1.4 million vehicles are tested annually.

State Revenues: Net TTF revenues would not be affected. The MVA's contract with the vendor guarantees minimum payments to the vendor through test fees collected at the VEIP stations. Currently, fee revenues are retained by the VEIP vendor, and late fees are forwarded to the TTF. The MVA advises that, under this bill, any test fees collected from dealers would simply be passed on to the VEIP contractor to meet the MVA's contractual obligation. Late fees would continue to be deposited in the TTF.

State Expenditures: TTF expenditures could increase by an estimated \$231,750 in fiscal 2006, which includes an increase in the management fee paid to MDE and an increase in MVA personnel costs, as described below.

MDE Management Fee

The MVA has an agreement with MDE under which MDE is reimbursed for certain VEIP-related expenses. MDE's Mobile Sources Control Program is responsible for implementing a certification program for emissions inspections facilities, repair technicians, and self-inspection stations, conducting quality assurance audits, and providing training for repair technicians.

The management fee is expected to increase by an estimated \$184,722 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring three audit inspectors to conduct training and monthly inspections of participating dealers. It includes salaries, fringe benefits, one-time start-up costs (including vehicles, audit equipment, and contractual services to develop a training course for dealers), and ongoing operating expenses. Based on information provided by MDE and the MVA, the estimate assumes that approximately 300 dealers would choose to conduct VEIP tests in accordance with the bill.

Salaries and Fringe Benefits	\$85,566
Automobile Purchase/Operations	63,424
Equipment/Other Operating Costs	19,732
Contractual Services (Training Course)	<u>16,000</u>
Total FY 2006 MDE Expenditures	\$184,722

MDE reimbursable funds (revenues and expenditures) would increase correspondingly.

Legislative Services notes that, according to the MVA, there are approximately 1,400 licensed dealers in the State. To the extent participation by dealers varies from the above estimate, the MDE management fee would vary accordingly.

MVA Personnel

TTF expenditures for MVA personnel could increase by an estimated \$47,028 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring one accountant to collect fees from dealers and transfer test fees to the VEIP vendor. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$41,692
Equipment/Operating Expenses	<u>5,336</u>
Total FY 2006 MVA Personnel Exp.	\$47,028

Future year TTF expenditures reflect ongoing reimbursements to MDE and ongoing MVA personnel costs. Specifically, future year estimates reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Small Business Effect: There are 1,400 licensed dealers in the State. It is estimated that approximately 300 of those dealers would conduct VEIP tests in accordance with the bill. According to information provided by the MVA, costs to dealers would not be insignificant. First, dealers would need to purchase equipment that would allow for on-line communications with the VEIP vendor for tracking purposes. Other equipment such as printers would also likely be needed. Second, OBD test equipment would be needed; based on information regarding New Hampshire's program, such equipment could total \$7,000 to \$10,000 per dealer. Third, dealers would likely be charged a dial-up transaction fee by the VEIP vendor to cover host services and record keeping (estimated at \$3.50 per transaction). Fourth, there would be costs associated with dealer forms (estimated at \$0.0375 per test). The number of tests dealers would conduct under the bill is unknown.

Presumably, dealers would likely only participate to the extent that the estimated benefits of participation would outweigh the costs. Although the bill precludes dealers from charging an additional VEIP fee, dealers may have an incentive to opt into the program in order to get vehicle owners in the door for repairs and/or car sales.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of the Environment, Maryland Department of Transportation, Department of Legislative Services

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mp/jr

Analysis by: Lesley G. Cook

Direct Inquiries to:
(410) 946-5510
(301) 970-5510