HB 252

Department of Legislative Services

Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 252 (Delegate Shewell, *et al.*)
Environmental Matters

Vehicle Laws - Exemption from Motor Vehicle Emissions Test and Inspection Requirements - Newer Vehicles

This bill codifies the current regulatory exemption of new vehicles from the Vehicle Emissions Inspection Program (VEIP) and extends this period from two years to four years. This period is to be measured by the earlier of a vehicle's model year or the year of the vehicle's first registration.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease by about $4.5 million in FY 2011, given the bill's effective date, due to the collection of fewer VEIP test fees, and by more than $6.1 million annually thereafter. Expenditures at the Motor Vehicle Administration (MVA) are minimal and can be handled with existing budgeted resources. Expenditures and operations for the Maryland Department of the Environment (MDE) increase to the extent that the State Implementation Plan (SIP) must be revised to comply with the federal Clean Air Act. Expenditures (all funds) decrease as fewer State fleet vehicles are tested under the bill but may be partially or fully offset by any additional expenditures (all funds) at State agencies that may be required to comply with a revised SIP.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	($4,496,100)	($6,114,700)	($6,237,000)	($6,361,700)	($6,488,900)
GF/SF/FF Reimb. Exp.	(-)	-	-	-	-
Net Effect	($4,496,100)	($6,114,700)	($6,237,000)	($6,361,700)	($6,488,900)

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

Local Effect: Local government expenditures decrease minimally as a greater number of fleet vehicles are exempt from emission inspection.

Small Business Effect: Minimal beneficial impact on small business with vehicles exempted under the bill.

Analysis

Current Law: A new vehicle (still in its model year or the following year) that has not been previously titled or registered in any jurisdiction must be assigned a VEIP inspection date that is at least 24 months after the model year of the vehicle.

Other vehicles exempt from inspection include:

- ambulances and other emergency vehicles;
- vehicles for which special registration (disability) plates have been issued, if all owners of the motor vehicle meet the disability requirements and the vehicle is driven 5,000 miles or less annually;
- vehicles owned by individuals aged 70 and older, if all owners are at least 70 years old and the vehicle is driven 5,000 miles or less annually;
- qualified hybrid vehicles, under specified conditions;
- zero emission vehicles; and
- vehicles over 26,000 pounds.

Background: In response to requirements of the federal Clean Air Act, Maryland has operated a vehicle emissions inspection and maintenance program in various parts of the State since 1984. All model year 1977 and newer vehicles in the State, unless specifically exempted, must be inspected and tested every two years for a $14 fee.

Since the inception of vehicle emissions inspection programs, the vast majority of states with such programs have decided to exempt newer vehicles from vehicle emissions inspections. Typically this is done as part of a broader effort to develop a high-emitter profile, identifying the most polluting vehicles in the state in order to maximize program cost-effectiveness. According to a 2001 National Research Council report, these new vehicle exemptions generally include vehicles between two and five years old.

VEIP currently exempts the two newest model years to accommodate for the low failure rates of newer vehicles. However, even new vehicles experience emission control system failures and release excess emissions into the atmosphere. Since malfunctions do not always result in drivability problems, motorists are often not aware of the problem. As a result, the vehicle can produce emissions that are significantly higher than the standards. One of the main benefits of the two-year emissions inspection timeframe is the detection of issues before they develop into larger, and potentially more costly, systemic problems.

State Fiscal Effect: TTF revenues decrease by about $4.5 million in fiscal 2011 due to the collection of fewer VEIP fees, and by more than $6.1 million annually thereafter. This estimate takes into account the bill's effective date, the current contract with the State's VEIP vendor, 2% annual growth in the number of vehicles tested, and no change in the share of vehicle owners making late payments. The estimate is also based on information from MVA that, in fiscal 2008, about 19% of the 1,639,349 vehicles tested (estimate revised upward by MVA) would have been exempt under the bill, and that late fee payments made directly to MVA are assumed to also decrease by 19%. Legislative Services advises that, due to significant projected surpluses for VEIP as a result of the new contract with the program vendor that took effect in fiscal 2010, any TTF loss under the bill is anticipated to be covered within the surplus and will not require an appropriation to cover a loss to the vendor.

MDE advises that, while the U.S. Environmental Protection Agency gives states flexibility to establish exemptions for new vehicles under VEIP, the estimated deterioration in air quality as a result of this exemption may require significant amendments to SIP. Further, achieving the air quality standards required in SIP will be made more difficult under proposed federal regulations that set more stringent standards for ozone emissions. Any significant revision to SIP may require additional special, federal, and potentially TTF reimbursable expenditures by the Air and Radiation Management Administration at MDE.

MDE also advises that failure to meet commitments under SIP or other Clean Air Act provisions may result in federal sanctions, including the withholding of highway funds.

Small Business Effect: The combined effect of the new ozone regulations and the additional emissions expected under the bill's exemption may result in an amended SIP that requires significant regulatory changes for new industries or more stringent regulations on existing industries. It is unknown at this time which industries may be affected under an amended SIP or whether these industries would comprise small businesses. Failure to meet State commitments under SIP may also result in federal sanctions affecting industries in the State. Currently, several industries regulated under SIP involve small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 5, 2010
mpc/ljm

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