

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 316 (Delegate Wivell)
 Environment and Transportation

Vehicle Emissions Inspection Program - Exemptions - Vehicles With Low Annual Mileage

This bill exempts *all* motor vehicles driven 5,000 miles or less annually from the Vehicle Emissions Inspection Program (VEIP) if the exemption is not otherwise prohibited by federal law. The owner must certify that the vehicle is driven 5,000 miles or less annually on a form provided by the Motor Vehicle Administration (MVA). By exempting all vehicles driven 5,000 miles or less annually, the bill repeals existing requirements that the vehicle owner meet specified disability or age criteria in order for the vehicle to be exempt.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease by approximately \$5.1 million in FY 2019 and by \$6.8 million in subsequent years. TTF expenditures increase by approximately \$253,900 in FY 2019 for reprogramming and personnel costs. Subsequent years reflect the additional staff costs only.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	(\$5,075,900)	(\$6,767,900)	(\$6,767,900)	(\$6,767,900)	(\$6,767,900)
SF Expenditure	\$253,900	\$50,600	\$52,000	\$53,900	\$55,900
Net Effect	(\$5,329,800)	(\$6,818,500)	(\$6,819,900)	(\$6,821,800)	(\$6,823,800)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: In response to requirements of the federal Clean Air Act, Maryland has operated VEIP in various parts of the State since 1984. All model year 1996 and newer vehicles in the State, unless specifically exempt, must be inspected and tested every two years. Owners of new vehicles are not required to get their vehicles tested until after three years, instead of two years. MVA and the Maryland Department of the Environment (MDE) must set the VEIP fee for each vehicle to be inspected and tested, which may not exceed \$14. The current fee is \$14.

State VEIP regulations require either an on-board diagnostic test or a combination of an idle exhaust emissions test, catalytic converter check, and gas cap leak test. The testing requirement depends on the model year and weight of the vehicle.

Certain types of vehicles are currently exempt from VEIP, including:

- certain vehicles with a model year of 1995 or earlier;
- vehicles weighing more than 26,000 pounds (gross vehicle weight);
- vehicles powered solely by diesel or electric;
- motorcycles;
- vehicles registered as farm trucks, farm truck tractors, or farm area vehicles;
- historic or antique vehicles;
- any fire apparatus owned or leased by the State of Maryland, a county, municipality, or volunteer fire department or rescue squad;
- ambulances;
- vehicles registered to owners age 70 or older, or vehicles registered with hard metal disabled tags, that are driven 5,000 miles per year or less (if co-owned, both owners must qualify for the waiver, and mileage must be recertified every two years to continue to receive the waiver);
- vehicles registered as Class N (street rod) vehicles;
- military vehicles owned by the federal government and used for tactical, combat, or relief operations, or for training for these operations; and
- vehicles registered as Class H (school vehicle) or Class P (passenger bus) vehicles.

VEIP is jointly administered by MVA and MDE. MVA is responsible for collection of motorist test fees and payment of operations contractor fees.

MDE advises that the federal Clean Air Act requires vehicle emissions inspections in Maryland because areas of the State exceed federal standards for ground-level ozone air pollution. MDE further advises that motor vehicles produce over one-third of the

ozone-forming emissions that contribute to low air quality as well as nitrogen pollution in the Chesapeake Bay. The purpose of VEIP is to identify vehicles that are emitting excessive levels of pollutants and ensure that they are repaired.

MDE also notes that, during the 2016-2017 two-year VEIP cycle, approximately 156,125 senior and disabled motorist exemptions were issued. The exemptions comprised approximately 5% of the total population of VEIP-eligible vehicles during that time period. The relative percentage of senior and disabled citizen exemptions has grown by approximately 25% since 2003. In combination with the existing exemption provided for historic vehicles, MDE notes that these exemptions total about 7% of all vehicles that would otherwise be tested.

State Revenues: MVA and MDE estimate that a large number of vehicles is likely exempted by the bill – perhaps as many as 20% of vehicles in the State, although a precise estimate cannot be made at this time due to insufficient data.

The fee structure for VEIP testing is site based. Emissions testing conducted at a VEIP station is \$14, whereas testing conducted at a self-service kiosk is \$10. Based on recent data, MVA notes that 98% of tests are conducted at a VEIP station and the remaining 2% are conducted at a self-service kiosk.

If the vehicle owner does not have the vehicle tested within the required timeframe, late fees are assessed. The late fee is \$15 and is assessed the day after the due date (and every four weeks thereafter until paid). Based on fiscal 2017 data, MVA notes that late fees comprise a significant portion – about 38% – of all VEIP revenues.

MVA anticipates a \$5.1 million decrease in VEIP revenues in fiscal 2019 and a \$6.8 million decrease in subsequent years. In addition to the fee amounts noted above, this estimate is based on the following assumptions:

- the total number of vehicles eligible for VEIP testing (*i.e.*, those that are not already exempt under current law) is 3,523,165;
- half of the eligible vehicles (1,761,583) are required to be tested each year; and
- 20% of the annually eligible vehicles (352,317) qualify for the new exemption.

State Expenditures: TTF expenditures increase by \$211,500 for approximately 710 hours of reprogramming changes. In addition, because the bill allows vehicle owners to self-certify that the vehicle is compliant with the mileage requirement, MVA must hire additional staff in order to audit the newly exempt vehicles.

In total, TTF expenditures increase by \$253,909 in fiscal 2019, which accounts for the bill's October 1, 2018 effective date. This estimate reflects the cost of hiring one customer

agent to ensure exempt vehicles are in compliance. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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Salary and Fringe Benefits	\$37,050
Reprogramming Costs	221,500
Operating Expenses	<u>5,359</u>
Total FY 2019 State Expenditures	\$253,909

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of the Environment; Department of State Police; Maryland Department of Transportation; Department of Legislative Services

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Analysis by: Eric F. Pierce

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