

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 150 (Delegate Fraser-Hidalgo)
 Environment and Transportation

**Vehicle Emissions Inspection Program and Diesel Vehicle Emissions Control
 Program - Fees and Fines**

This bill requires the Motor Vehicle Administration (MVA) to establish a \$14 biennial fee on (1) certain motor vehicles registered in the State that are granted a waiver from, exempted from, or not subject to the Vehicle Emissions Inspection Program (VEIP) and (2) specified diesel vehicles registered in the State. The fee revenues, as well as 30% of existing fines collected under the Diesel Vehicle Emissions Control Program, are deposited into the Maryland Strategic Energy Investment Fund (SEIF) and used to (1) provide/offer incentives to expand electric vehicle ownership and (2) expand electric vehicle infrastructure.

Fiscal Summary

State Effect: Special fund (SEIF) revenues and expenditures increase correspondingly by at least \$1.7 million in FY 2025 and at least \$2.2 million annually thereafter. General fund and/or Transportation Trust Fund (TTF) revenues decrease as discussed below. TTF expenditures increase by up to \$84,900 in FY 2025 and by \$46,500 annually thereafter.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$1,662,000	\$2,216,100	\$2,216,100	\$2,216,100	\$2,216,100
GF/SF Rev.	(-)	(-)	(-)	(-)	(-)
SF Expenditure	\$1,746,900	\$2,262,600	\$2,262,600	\$2,262,600	\$2,262,600
Net Effect	(\$84,900)	(\$46,500)	(\$46,500)	(\$46,500)	(\$46,500)

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

Local Effect: Local government expenditures increase minimally to pay the \$14 fee on affected vehicles. Local governments may benefit from programs funded under the bill.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: MVA must establish a \$14 biennial fee on each motor vehicle registered in the State that is:

- granted a waiver from mandatory inspections under provisions that require a waiver to be granted to a vehicle owner whose vehicle fails to pass the emissions exhaust test but provides specified evidence of payment for emissions-related repairs;
- not subject to mandatory inspections because the vehicle is of a model year earlier than 1977;
- exempt from mandatory inspections under provisions that exempt (1) persons with special disability registration plates, persons age 70 or older, and deployed military personnel under specified circumstances and (2) emergency vehicles; or
- powered by a compression ignition engine (diesel) and has a manufacturer's gross vehicle weight rating or gross combination weight rating of 10,000 pounds or less.

The bill requires the fee revenues, as well as 30% of all fines collected under the Diesel Vehicle Emissions Control Program (applicable to vehicles that are powered by a compression ignition engine and have a manufacturer's gross vehicle weight rating or gross combination weight rating over 10,000 pounds), to be deposited into SEIF, and used to (1) provide/offer incentives to expand electric vehicle ownership and (2) expand electric vehicle infrastructure.

Current Law:

Vehicle Emissions Inspection Program

Title 23, Subtitle 2 of the Transportation Article generally requires all model year 1977 and newer vehicles in the State to be inspected and tested every two years, unless specifically exempt. 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.

Statutory Waivers/Exemptions

A vehicle owner must be granted a waiver from the VEIP inspection requirement if the vehicle fails to pass the exhaust emissions test but the owner provides specified evidence of payment for emissions-related repairs.

Persons with special disability registration plates, persons age 70 or older, and deployed military personnel are eligible for an exemption from the VEIP inspection requirement

under specified circumstances (MVA/MDE regulations refer to these exemptions as “waivers”).

Any fire or rescue apparatus or ambulance owned or leased by a political subdivision of the State, or by a volunteer fire company, rescue squad, or volunteer ambulance company, registered as an emergency vehicle is exempt from VEIP inspections.

Regulations

Section 23-207 of the Transportation Article authorizes MVA and the Secretary of the Environment to jointly adopt rules and regulations for purposes of implementation, administration, regulation, and enforcement of the provisions of the VEIP program statute, including rules and regulations that, consistent with federal law, exempt certain vehicles from the inspections and tests under the program.

MVA/MDE regulations establish various additional exemptions, including exempting vehicles not registered in the “emissions inspection area” (Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Frederick, Harford, Howard, Montgomery, Prince George’s, Queen Anne’s, and Washington counties, and Baltimore City).

Diesel vehicles are also among the vehicles exempt from VEIP under the regulations.

Diesel Vehicle Emissions Control Program

Title 23, Subtitle 4 of the Transportation Article requires the Secretary of the Environment, the Secretary of State Police, and the Secretary of Transportation to establish a Diesel Vehicle Emissions Control Program and jointly adopt implementing regulations. The program affects any diesel-powered vehicle with a manufacturer’s gross vehicle weight rating or gross combination weight rating over 10,000 pounds traveling on Maryland’s highways. MDE indicates that enforcement is carried out by the Maryland State Police and the Maryland Transportation Authority Police, who can require any heavy-duty diesel vehicle to submit to a smoke emissions test at any time or place. A person who does not submit a vehicle to testing when required, on conviction, is subject to a fine of up to \$1,000 for a first offense and higher fines for subsequent offenses.

According to MDE, if a vehicle’s exhaust exceeds the applicable smoke opacity standard, the driver will either be given a Safety Equipment Repair Order (SERO) (for Maryland registered vehicles only) that requires the vehicle to be repaired and retested, or a Maryland Driver/Vehicle Inspection Report (MDVIR) (for foreign registered vehicles only) requiring the vehicle owner to demonstrate that the vehicle has been brought into compliance with the applicable smoke opacity standard. Either way, the SERO or MDVIR is issued to the vehicle’s registered owner (the driver is responsible for forwarding the SERO or MDVIR

to the registered owner), and it is up to the owner to ensure that the vehicle is brought into compliance.

If the owner of a Maryland registered vehicle that fails the smoke test fails to have the vehicle retested and submit the certified SERO copies to the appropriate agencies within 30 days of the issuance of the SERO, the owner will have the vehicle's registration suspended and will be subject to a fine of up to \$1,000. The vehicle registration may be reinstated if the vehicle passes a retest given by a Maryland Certified Diesel Emissions Retester or by one of the Maryland State Police or Maryland Transportation Authority Police Emissions Inspectors.

If the owner of a foreign registered vehicle that fails the smoke test fails to certify that the vehicle has been brought into compliance within 30 days of the issuance of the MDVIR, the owner is reported to the Federal Motor Carrier Safety Administration as being in violation of Maryland State law under 49 CFR § 392.2 and is subject to a fine of up to \$1,000.

Maryland Strategic Energy Investment Program

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through proceeds from the auction of carbon allowances to power plants under the Regional Greenhouse Gas Initiative. The Maryland Energy Administration (MEA) administers SEIF.

State Revenues:

Strategic Energy Investment Fund

Special fund (SEIF) revenues increase by at least \$1.7 million in fiscal 2025 (accounting for the bill's October 1, 2024 effective date) and by at least \$2.2 million annually thereafter, accounting for (1) estimated revenues from the collection of the \$14 biennial fee imposed by the bill (\$1.7 million in fiscal 2025 and \$2.2 million annually thereafter) and (2) an indeterminate amount of revenues from the bill's redirection of 30% of existing fines collected under the Diesel Vehicle Emissions Control Program.

Using data provided by MVA, this estimate assumes:

- the \$14 fee is paid by 158,300 total registered vehicle owners each fiscal year;
- the fee is assessed either when vehicles' registration is due for renewal or at the time a waiver is granted (for those affected vehicles that receive waivers at the time of their scheduled VEIP inspection);

- there are more than 98,300 diesel vehicles registered in the State with a manufacturer’s gross vehicle weight rating or gross combination weight rating of 10,000 pounds or less that are subject to the fee (one-half of their owners pay the fee each fiscal year with their biennial registration renewal);
- more than 100,300 registered vehicle owners receive VEIP waivers/exemptions each fiscal year under the waivers/exemptions for vehicle repairs, persons with special disability registration plates, persons age 70 and older, and deployed military personnel;
- more than 14,100 registered vehicles are not subject to VEIP inspections because they are of a model year earlier than 1977 (one-half of their owners pay the fee each fiscal year); and
- more than 3,500 emergency vehicles are exempt from VEIP inspections (one-half of their owners pay the fee each fiscal year).

MVA estimates that special fund revenues increase by a greater amount – specifically by \$7.2 million in fiscal 2025 (accounting for the bill’s October 1, 2024 effective date) and by \$9.6 million annually thereafter, based on an assumption that 1,377,046 vehicles are subject to the biennial \$14 fee. The Department of Legislative Services advises, however, that this estimate accounts for all registered vehicles in the State that are not subject to VEIP inspections, rather than the specific vehicles the bill makes subject to the \$14 fee (diesel vehicles; vehicles subject to the waivers/exemptions for vehicle repair, persons with special disability registration plates, persons age 70 and older; and deployed military personnel; vehicles of a model year earlier than 1977; and emergency vehicles).

Information on the amount of fines currently collected under the Diesel Vehicle Emissions Control Program is not readily available; therefore, the extent of the increase in special fund revenues due to the redirection of fines cannot be reliably estimated at this time.

General Fund and/or Transportation Trust Fund

General fund and/or TTF revenues decrease correspondingly with the increase in special fund (SEIF) revenues from fines collected under the Diesel Vehicle Emissions Control Program, due to the redirection of 30% of fines from the general fund and/or TTF, to SEIF.

State Expenditures:

Strategic Energy Investment Fund

Special fund (SEIF) expenditures increase by at least \$1.7 million in fiscal 2025 (accounting for the bill’s October 1, 2024 effective date) and by at least \$2.2 million annually thereafter. This assumes expenditures increase correspondingly with the revenues

generated from the \$14 fee and the redirection of fines. MEA can administer the additional funds with existing budgeted resources.

Transportation Trust Fund

TTF expenditures increase by up to \$84,903 in fiscal 2025, which accounts for the bill's October 1, 2024 effective date, and by \$46,537 annually thereafter. This estimate reflects (1) the cost of MVA computer programming associated with collection of the \$14 fee (not more than \$50,000 in fiscal 2025 only) and (2) ongoing credit card processing fees for those customers that use credit cards to pay the fee (\$34,903 in fiscal 2025 and \$46,537 annually thereafter). The estimate assumes that 70% of the fees are paid using a credit card and the processing fee per transaction is 3% (of the \$14 fee).

Local Fiscal Effect: Local government expenditures increase minimally beginning in fiscal 2025 to pay the \$14 fee on affected emergency or diesel vehicles. Local governments may also benefit from MEA programs supported by the fee.

Small Business Effect: Similarly, small businesses in the electric vehicle industry or that own or may purchase electric vehicles may benefit from MEA programs providing incentives for electric vehicle ownership and expansion of electric vehicle infrastructure. Small businesses also incur the cost of the \$14 biennial fee for any affected vehicles they own.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years; however, legislation with similar provisions has been proposed. For example, see HB 312 of 2023 and HB 46 and SB 104 of 2022.

Designated Cross File: None.

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

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