

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 602 (Delegate Elliott, et al.)
Economic Matters

**Vehicle Emissions Inspection Program - Enhanced Testing -
Indefinite Prohibition**

This bill delays the full-scale implementation of the enhanced Vehicle Emissions Inspection Program (VEIP). State and federal vehicles will still be subjected to the full I/M 240 test provided for in the enhanced VEIP program; all other vehicles will undergo a basic biennial tailpipe test. However, other vehicle owners may voluntarily submit their vehicles to an I/M 240 test. No dynamometer or pressure test may be required; and the driver cannot be required to leave the vehicle.

This bill is effective June 1, 1996.

Fiscal Summary

State Effect: Indeterminate but potentially significant decrease in operational expenditures. Revenues would not be affected.

Local Effect: Indeterminate decrease in expenditures. Revenues would not be affected.

Fiscal Analysis

Background: The Vehicle Emissions Inspection Program (VEIP) 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: While the legislation delays the implementation of the enhanced VEIP program, it does not affect the date on which the VEIP fee can increase from \$12 to \$14. Therefore, State special fund revenues would not be affected.

Operating Cost Savings Due to Program Delay

Since the program is administered by MARTA, any operational cost savings cannot be determined until after renegotiations. Previous renegotiations hinging on this issue resulted in a \$1 million reduction in contract costs; this renegotiation was based on the assumption of throughput improvement based on shorter emissions tests (due to the delay in the I/M 240) and a reduction in station operating hours from 71 to 60.

Any renegotiation due to this bill could likewise cause a decrease in contract costs. However, any estimate of an exact contract reduction cannot be made at this time. There are currently discussions of increasing station hours, and MVA reports that throughput efficiencies have not been realized since the current idle test is taking longer than expected.

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, the case would go before the Board of Contract Appeals.

Clean Air Act Requirements

Recent discussions between the Maryland Department of the Environment (MDE) and EPA yielded a decision that delaying the VEIP by one year will not require controls at other

sources for purposes of meeting the 15% Volatile Organic Compound (VOC) emissions reduction requirements. However, since this bill delays the program indefinitely, 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.

Local Expenditures: Since local governments own fleets of cars, the delay in the implementation of a less stringent emissions test could lower their expenditures for repair by an indeterminate amount.

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

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