

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 143 (Delegate Stup, et al.)
Environmental Matters

Vehicle Emissions Inspection Program - Washington County

This bill prohibits the Vehicle Emissions Inspection Program (VEIP) from being implemented in Washington County as long as the county and the Hagerstown metropolitan statistical area are in attainment with national ozone standards.

This bill is effective June 1, 1996.

Fiscal Summary

State Effect: Special fund revenue decrease of \$560,000 annually; potential significant special fund revenue increase in FY 1997 through VEIP facility sale. Special fund expenditure decrease of approximately \$355,500 annually; potential indeterminate decrease in special fund expenditures on equipment.

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

Fiscal Analysis

Background: The Vehicle Emissions Inspection Program 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: This bill specifies that the VEIP program cannot be implemented or continued in Washington County while the Hagerstown metropolitan statistical area and Washington County are in attainment of the National Ambient Air Quality Standards for ozone. Since this area is currently in attainment, the provisions of the bill would apply as soon as enacted.

Exhibit 1 shows the expenditures and revenues associated with the Washington County VEIP station:

Exhibit 1
Washington County VEIP Station

Facility Construction Costs	\$1,092,500
Contractor Operating Cost per year	315,100
State Operating Costs	40,400
VEIP Fee Revenues	\$560,000

Note: State Operating Costs represent expenditures for two State station representatives
Source: Motor Vehicle Administration (MVA)

The \$1.09 million in facility construction costs represent sunk costs in this facility. However, these costs could be partially recovered through the sale of the facility site and using equipment at this site as inventory for replacement parts for the remaining 84 VEIP test lanes throughout the State. The potential sale of the VEIP facility site would represent a special fund revenue increase, but an exact value cannot be estimated at this time. Using the equipment as inventory would decrease special fund expenditures on future equipment

repairs or purchases.

State operating costs would decrease by \$40,400 due to the closure of this station. In addition, contractor operating costs would decrease by an estimated \$315,111, for a total of \$355,000. The VEIP contract would have to be renegotiated to realize the contractor operating cost savings. 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, then the case would go before the Board of Contract Appeals.

VEIP fee revenues at this facility are anticipated at \$560,000 annually. This is based on the assumption of 80,000 vehicles tested biennially at \$14 per test. The total impact on the Transportation Trust Fund by fiscal 2001 is a decline in revenue of \$2.8 million. This is not sufficient to force a decrease in planned bond sales by the Department of Transportation.

Clean Air Act Requirements

The federal Clean Air Act requires all metropolitan statistical areas with a population of 100,000 or more in the Ozone Transport Region to implement an enhanced VEIP program. Washington County meets these requirements, as it is in the Ozone Transport Region despite being in attainment with National Ambient Air Quality Standards for ozone. Due to recent federal flexibility regarding Clean Air Act requirements, the threat of federal monetary sanctions for noncompliance has diminished. However, because the implementation of VEIP in Washington County was part of Maryland's 15% Volatile Organic Compounds (VOC) Emissions Reduction Plan, the implementation of this bill could cause the State to fall short of the required 15% reductions. The Maryland Department of the Environment (MDE) may attempt to put controls on other pollution sources to make up this shortfall.

Local Expenditures: Since local governments own fleets of cars, the discontinuation of the emissions control program could lower Washington County expenditures by an indeterminate amount.

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

Fiscal Note History: First Reader - February 5, 1996
ncs

Analysis by: Kim E. Wells
Reviewed by: John Rixey
(410) 841-3710
(301) 858-3710

Direct Inquiries to:
John Rixey, Coordinating Analyst