

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 174 (Senator Stone, et al.)

Judicial Proceedings

Referred to Environmental Matters

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Vehicle Emissions Inspection Program - Voluntary Dynamometer Testing -  
Incentives

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This enrolled bill delays the full-scale implementation of the enhanced Vehicle Emissions Inspection Program (VEIP) from June 1, 1996 until June 1, 1997. 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.

The Motor Vehicle Administration (MVA) must develop an incentive program to encourage drivers to volunteer for the I/M 240 test; these incentives can include reduced test fees, flexible test schedules, the waiver of late fees, waiver amount reductions, or any other cost-effective measure. The VEIP fee may not exceed \$12 until June 1, 1997. After that, the fee may not exceed \$14.

This bill is effective June 1, 1996.

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Fiscal Summary

**State Effect:** Special fund revenue decrease of \$200,000 in FY 1996 and \$2.2 million in FY 1997. Potential special fund revenue decrease due to possible incentives in FY 1996 and 1997. Indeterminate but potentially significant decrease in operational expenditures in FY 1996 and 1997. Potential special fund expenditure increase due to possible incentives in FY 1996 and 1997.

**Local Effect:** Indeterminate decrease in expenditures for FY 1996 and 1997. Revenues would not be affected.

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## 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:

#### *VEIP Fee Revenues*

This bill extends the \$12 fee limit until June 1, 1997. Under the terms of Chapter 489, this fee limit is supposed to be set at \$14 on June 1, 1996. Therefore, from June 1, 1996 until June 1, 1997 there would be a reduction in fee collections amounting to \$2 per vehicle inspected. The Maryland Department of Transportation anticipates that 1.2 million cars would go through the inspection process, resulting in a loss of special fund revenues totaling \$2.4 million. The first \$200,000 would be lost in fiscal 1996; the remaining \$2.2 million would be lost in fiscal 1997.

#### *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. Therefore, this bill would not affect Maryland's compliance with federal Clean Air Act Requirements, and should not result in the imposition of any federal sanctions or require controls on other pollution sources.

#### *Incentive Program for Voluntary VEIP*

An incentive program could cause a decrease in revenues or an increase in expenditures, depending upon the type of program selected. For instance, if the incentive is a \$2 reduction in the VEIP fee and 20,000 vehicles participate, special fund revenues would decrease \$40,000. On the other hand, if the incentive is flexible test schedules, expenditures could increase depending upon the need for any additional operating hours.

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

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

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