

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1410 (Delegate Guns, *et al.*)
Environmental Matters

Vehicle Emissions Inspection Program - Enhanced Testing

This bill allows an alternative schedule to be adopted to achieve full implementation of the enhanced Vehicle Emissions Inspection Program (VEIP) if the contractor fails to satisfy the performance standards as identified by the Maryland Department of Environment (MDE). An alternative schedule may also be adopted if defects in the mechanical computer equipment exist that prevent the implementation of the VEIP program to the satisfaction of MDE.

The bill provides that the VEIP fee may not exceed \$12 until October 31, 1997. After that, the fee may not exceed \$14. The bill also provides that the minimum expenditure on emissions-related vehicle repairs to qualify the vehicle owner for a waiver under the VEIP will continue to be set at \$150 through 1998. On January 1, 1999, the minimum expenditure for such emissions-related repairs will be set as required by federal law.

The Motor Vehicle Administration (MVA) and MDE are required to prohibit any procedure that requires the disconnection or manipulation of any engine component. In addition, the departments may allow a vehicle owner or operator to remain in the passenger seat during the full I/M 240 test at the request of the owner or operator.

The bill is effective June 1, 1997.

Fiscal Summary

State Effect: Special fund revenue decrease of \$208,000 in FY 1997 and \$832,000 in FY 1998. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Potential meaningful effect on small businesses as discussed below.

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. In 1990 the federal Clean Air Act Amendments were adopted, requiring more stringent air quality standards. Since Maryland had an existing contract with Systems Control, Inc. (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 428 of 1996 delayed the implementation date of the enhanced VEIP program to June 1, 1997. 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.

The Maryland Department of Transportation (MDOT) conducted various audits of MARTA's performance during 1996 and found deficiencies from the original request for proposals (RFP) document. Excessive wait times and inadequate bookkeeping were two of the principal deficiencies cited from the audits. Consequently, management reductions of \$316,330 were assessed against contractor performance. MARTA has since improved performance, which is now considered satisfactory by MDOT.

In August 1996, MARTA announced the intent to transfer its state emissions contracts with Florida, Ohio, and Maryland to Envirotech Technologies, Inc. After a due diligence period, a final settlement could not be reached on the transfer of Maryland's contract due to financial considerations. MARTA maintains it will continue to provide emissions testing in Maryland; the Ohio contract is being transferred to Envirotech. MARTA's contract is set to be available for renewal as of April 1, 1998.

State Effect:

VEIP Fee Revenues

This bill extends the \$12 fee limit until October 31, 1997. Under the terms of Chapter 428, this fee limit is supposed to be set at \$14 on June 1, 1997. Therefore, from June 1 until October 31, there would be a reduction in fee collections amounting to \$2 per vehicle inspected. MDOT anticipates that 1.25 million cars would go through the inspection process in one year. Accordingly, 520,833 cars would undergo vehicle testing in five months, resulting in a loss of special fund revenues totaling \$1.04 million. The first \$208,000 would be lost in fiscal 1997; the remaining \$832,000 would be lost in fiscal 1998.

Clean Air Act Requirements

The bill allows the full implementation of the enhanced VEIP on an alternative schedule. MDE has not yet determined the schedule. However, it is estimated that full implementation would be achieved in phases and on a slower timetable. Pursuant to a court case brought by the American Lung Association of Northern Virginia, Maryland must begin controls to reduce 15% of the Volatile Organic Compound (VOC) emissions in the nonattainment areas by May 15, 1997. Maryland has submitted to the EPA its State Implementation Plan (SIP) to meet the 15% VOC reduction requirements. Maryland's SIP includes implementation of the enhanced VEIP. EPA has yet to make a determination on whether to approve the plan. The alternative schedule is not expected to result in a loss of credits or jeopardize the approval of Maryland's SIP. MDE is in the process of discussions with EPA on this matter; any disapproval could potentially result in federal sanctions.

Minimum Qualifying Expenditures

Currently, the federal minimum qualifying expenditure waiver of \$450 is set to take effect as of January 1, 1998. Maryland's SIP proposes to adopt the federal limit of \$450 in minimum qualifying expenditures and does not include extension of the current \$150 limit. Continuing the \$150 waiver limit would result in a loss of air pollution reduction benefits that is required under Maryland's SIP. However, MDE advises that since other states have been granted an extension on initiating the federal waiver limit, Maryland may also be accorded flexibility on the waiver limit. If so, the approval of Maryland's SIP and the requirements for the 15% reduction plan would not be at risk regarding this issue.

Small Business Effect: There are currently between 8,000 and 10,000 mechanics and 2,200 service stations statewide. A minimum of \$150 of repair work performed on a vehicle that

failed the initial emissions test would allow the vehicle to waive the emissions retest. To the extent that vehicle owners utilize mechanics and service stations for VEIP related repairs to qualify for waivers, this bill could affect the revenues of these small businesses. Small businesses would continue only to be able to perform up to \$150 of repairs. Under current law, the minimum expenditure would increase to \$450 on January 1, 1998 and the affected businesses would be able to conduct repair work up to this amount. Should Maryland extend its current limit, these small businesses would forego up to \$300 in revenue per vehicle for one year.

Conversely, small businesses that own vehicles could benefit under this bill. Small businesses that own vehicles that fail the emissions test may continue to pay a maximum of \$150 to qualify for a waiver under the VEIP. Should the federal requirements be applied, these small businesses would have to pay up to \$450 to qualify for an emissions test waiver. Any alternative schedule for enhanced VEIP could likewise benefit vehicle owners and reduce business activity for service stations.

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

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