

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1451 (Delegate Guns)
Environmental Matters

Vehicle Emissions Inspection Program - Minimum Repair Expenditure

This bill maintains indefinitely the minimum expenditure of \$150 on emissions-related vehicle repairs to qualify the vehicle owner for a waiver under the Vehicle Emissions Inspection Program (VEIP). Current law provides that beginning January 1, 1998, the minimum qualifying expenditure waiver will increase to \$450 as required by the federal minimum qualifying expenditure limit.

The bill is effective June 1, 1997.

Fiscal Summary

State Effect: Potential indeterminate decrease in federal fund revenues. Expenditures would not be affected.

Local Effect: None.

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

Fiscal Analysis

State Effect: Maryland has submitted to the Environmental Protection Agency (EPA) its state implementation plan (SIP) to reduce 15% of the Volatile Organic Compound (VOC) emissions in the nonattainment areas by May 15, 1997. Maryland's SIP proposes to adopt the federal limit of \$450 in minimum qualifying expenditures as provided under current law. EPA has yet to make a determination on whether to approve the plan.

The Maryland Department of Environment (MDE) advises that maintaining the \$150 waiver

limit indefinitely would result in a sizeable loss of air pollution reduction benefits that are required under Maryland's SIP. Consequently, it is unlikely that the loss in credits will be able to be substituted in other areas of Maryland's SIP. Thus, MDE advises that it is likely that Maryland's SIP will be denied. If this were to occur, the EPA could impose a federal implementation plan (FIP) to bring Maryland into compliance with air pollution reduction measures. The FIP may impose various restrictions including limits on the amount of emissions discharged by new and existing businesses; the details of the FIP have yet to be determined. The EPA may also withhold \$200,000 in federal operating grants and may impose other economic sanctions on Maryland as allowed under the Clean Air Act, including the loss of certain federal highway transportation grants.

Small Business Effect: There are currently between 8,000 and 10,000 mechanics and 2,200 service stations statewide. Under current law, a minimum of \$150 of repair work must be performed on a vehicle that failed the initial emissions test to allow the vehicle to waive the emissions retest and the minimum expenditure would increase to \$450 on January 1, 1998. Under the bill, the waiver limit of \$150 in repair work would continue indefinitely. 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 as vehicle owners would continue to only be required to have \$150 of repairs to receive the VEIP waiver. These small businesses could forego up to \$300 in revenue per vehicle should Maryland indefinitely extend its current limit.

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.

Small businesses, particularly those in the manufacturing industry, may have to make costly improvements to their business to comply with the air pollution reduction requirements that may be imposed under a FIP. In addition, sanctions may be imposed on new or expanding businesses in Maryland which would require these businesses to reduce their emissions discharge.

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

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