

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 573 (Delegate Elliott, *et al.*)
Environmental Matters

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

This bill delays indefinitely 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.

The bill is effective June 1, 1997.

Fiscal Summary

State Effect: Indeterminate decrease in operational expenditures. Potential indeterminate decrease in federal fund revenues.

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

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

Fiscal Analysis

Background: 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: 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, which 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. No reductions in contract payments have been made since August 1 other than management reductions, and stations are currently operating at 66 hours weekly.

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 insurance 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

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 which includes implementation of the enhanced VEIP program. EPA has yet to make a determination on whether to approve the plan.

Since this bill delays the program indefinitely, it is possible that Maryland's 15% SIP will be denied. Consequently, EPA may 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. In addition, \$250 million in federal highway transportation grants may also be in jeopardy if Maryland delays or indefinitely prohibits the full-scale implementation of the enhanced VEIP program.

Local Expenditures: Since local governments own fleets of cars, the indefinite prohibition of a more stringent emissions test could lower their expenditures for repair by an indeterminate amount.

Small Business Effect: To the extent that small businesses own cars, the prohibition of the enhanced VEIP could lower expenditures for repairs by an indeterminate amount. Simultaneously, automotive repair shops could also experience lower repair revenue than would have been generated by the implementation of the more stringent emissions test.

Depending on the FIP, 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. In addition, sanctions may be imposed on new or expanding businesses in Maryland which may force these businesses to reduce actual emissions to twice the amount of its projected 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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