

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 583 (Delegate Elliott, *et al.*)
Environmental Matters

Vehicle Emissions Inspection Program - Emissions Control Fee

This bill requires the Motor Vehicle Administration (MVA) to impose an emissions control fee, in addition to the vehicle registration fee, at the time the vehicle is registered and each time the vehicle's registration is renewed. Fleet vehicles and emergency vehicles are exempted from this fee.

The emissions control fee is to be set in an amount which is sufficient to recover the costs of the emissions control program. The bill provides that, with the exception of late fees, no other fees may be imposed for the emissions inspections.

Fiscal Summary

State Effect: Potential significant increase in special 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 Revenues: Under current law, fees are imposed and collected when the vehicle is inspected. Because not all vehicles in the State are required to undergo emissions testing, not all registered vehicle owners in the State are required to pay inspection fees. Thus, the bill would result in all vehicle owners being required to bear a portion of the costs of the emissions control program via a fee imposed at the time the vehicle is registered.

It is estimated that there are 3.8 million registered vehicles in the State. Since registration occurs every two years, owners of 1.9 million vehicles will pay the total cost of the program

each year. Under current law, the Vehicle Emissions Inspection Program (VEIP) fee is limited to \$14 as of June 1, 1997. This fee is paid by the 1.25 million vehicle owners who would be inspected in fiscal 1998; special fund revenues of \$17.5 million are anticipated. An additional \$2.4 million in late fees are projected; **this yields total cost recovery fees of \$19.9 million.** Exhibit 1 details costs associated with the VEIP program:

Exhibit 1
VEIP Program Costs

Contractor Operating Expenditures per Year	\$9,800,000
MVA Operating Expenditures per year	3,300,000
MDE Operating Expenditures per year	1,500,000
Total Capital Costs	\$48,000,000

Source: Maryland Department of Transportation

The VEIP capital costs were paid for out of the Transportation Trust Fund (TTF); the Maryland Department of Transportation (MDOT) expects to recover these costs plus 5.5% interest. A 15-year capital cost-recovery period yields annual costs of \$19.4 million.

The Department of Fiscal Services believes that MDOT does not need to recover interest payments in the capital cost recovery period. Without interest payments a 15-year recovery period would yield annual costs of \$17.8 million. The \$14 fee, assuming 1.25 million cars inspected, would result in a \$2.1 million annual surplus. Setting a cost-neutral fee for the program could potentially result in a decrease in special fund revenues.

Assuming \$2.4 million in late fees and MDOT's original 5.5% interest recovery over 15 years, the cost-neutral emissions control fee would be \$8.95 per vehicle (for 1.9 million cars). If MDOT did not recover the 5.5% interest, then the fee would be \$8.11. These fees would be slightly lower if late fees increased to the historical average of \$3 million. In any case, fee revenue would decrease over the amount currently projected.

In the out-years, it is expected that the fee amounts would be adjusted. MVA operating costs are expected to increase each year, and the MARTA contract expires in 1999 if all options are exercised. Alternatively, fee changes could be made in April 1998 when the contract with MARTA initially expires if no options are exercised. In addition, car registrations have an average growth rate of 1.4% over the past four years.

State Expenditures: The administrative costs of administering the program would not be changed. Capital cost recovery would be affected as discussed above in the “State Revenues” section.

Small Business Effect: Small businesses who own vehicles inspected through the State VEIP program would see a potential decrease in the fee paid. Expenditures would be made when the vehicles were registered and renewed rather than at the time of inspection. However, should the cost of the VEIP program greatly increase resulting in a cost recovery fee that is higher than the \$14 fee, small businesses would pay more in fees every two years. In addition, small businesses that own vehicles currently exempt from the inspection process (other than emergency vehicles or fleets) would pay this new registration fee.

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

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