

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 278 (Senator Stone, *et al.*)

Judicial Proceedings

Referred to Environmental Affairs

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**Vehicle Emissions Inspection Program - Voluntary Dynamometer Testing**

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This amended bill delays indefinitely the full-scale implementation of the enhanced Vehicle Emissions Inspection Program (VEIP) and requires the Motor Vehicle Administration (MVA) to offer the option of voluntarily submitting to the program. State and federal vehicles will still be subjected to the full I/M 240 test provided for in the enhanced VEIP.

The bill also maintains indefinitely the minimum expenditure of \$150 on emissions-related vehicle repairs within 60 days after the initial exhaust emissions test to qualify the vehicle owner for a waiver under the 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.

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**Fiscal Summary**

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

**Local Effect:** None.

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

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**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.

### *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 indefinitely delays mandatory implementation, allows vehicle owners to voluntarily submit to the enhanced VEIP program, and maintains the \$150 waiver, it is possible that Maryland's 15% SIP will be denied. The Maryland Department of Environment (MDE) advises that maintaining the \$150 waiver limit indefinitely would result in a sizeable loss of air pollution benefits that are required under Maryland's SIP. 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, a significant amount of 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:** 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. Also, to the extent that small businesses own cars, the prohibition of the enhanced VEIP could lower expenditures for repairs by an indeterminate amount.

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.

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

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