

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 489 (Delegate Hubbard, *et al.*)
Environmental Matters

**Vehicle Emissions Inspection Program -
Technician Certification and Repair Facilities**

This bill conditionally establishes a decentralized retesting program for the Vehicle Emissions Inspection Program (VEIP). If this program is established, the owner of a vehicle who has failed the initial emissions test may have his/her vehicle retested at either a centralized inspection facility or an approved certified repair facility.

By March 1, 1998, the Motor Vehicle Administration (MVA) and Maryland Department of Environment (MDE) are required to determine if: (1) certified repair facilities may feasibly handle approved retesting equipment and procedures; and (2) the decentralized retesting option does not result in a loss of emissions reduction benefits to the State. If these requirements are not met by March 1, 1998, the MVA and MDE must reexamine these issues by March 1 of the succeeding year.

If the departments determine that decentralized retesting is feasible and would not result in any emissions reduction losses, the MVA and MDE must administer and oversee a decentralized retesting program. A fee may be imposed on approved facilities to cover the costs of oversight of the decentralized retesting program.

The bill also requires the MVA and the MDE to certify technicians who perform repairs on vehicles. The departments also are required to establish the payment of fees to cover the costs of administering the certification program. In order to qualify for the \$150 waiver under the current VEIP test, the bill requires that a vehicle must have emissions related work performed by a certified technician.

Fiscal Summary

State Effect: Significant but indeterminate increase in offsetting special fund revenues and expenditures for certifying technicians and administering the decentralized retesting program. Indeterminate effect on other State expenditures as discussed below.

Local Effect: None, as discussed below.

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

Fiscal Analysis

Background: This legislation is in accordance with the recommendations of an MDE task force on mandatory technician certification and a decentralized retesting option.

State Effect:

Technician Certification

Special fund expenditures at the MVA and MDE would increase by an indeterminate but significant amount due to the requirements of setting up and administering the repair certification program for technicians and facilities. The MVA and MDE must administer and oversee a certification program for technicians conducting VEIP-related repairs that qualify toward waivers. There are currently between 8,000 to 10,000 mechanics and 2,200 service stations statewide. It cannot be determined at this time how many of these technicians or facilities would be certified for VEIP-related repairs. It is assumed that the annual costs of administering the program will be offset by the fees collected from mechanics.

Maryland has submitted its state implementation plan (SIP) to the Environmental Protection Agency (EPA) to reduce 15% of the Volatile Organic Compound (VOC) emissions in the nonattainment areas by May 15, 1997. Maryland's SIP includes implementation of mandatory technician certification. EPA has yet to make a determination on whether to approve the plan. If the EPA does not approve Maryland's SIP plan, restrictions may be placed on businesses to reduce the amount of pollution emitted.

Should a technician be refused a license, a hearing may be requested to appeal a decision to the Office of Administrative Hearings (OAH). An increase in OAH hearings for these issues will be realized as additional expenditures for the MVA and MDE.

Decentralized Retesting

By March 1, 1998, the MVA and MDE must determine if: (1) the testing equipment and procedures are feasible for use in certified repair facilities approved for retesting of vehicles; and (2) the decentralized retesting option does not result in a loss of emissions reduction benefits to the State. It is not clear at this time how these determinations will be made or the costs that may be incurred in doing so.

If the two requirements are met, the MVA and MDE must establish a decentralized retesting program. Fees may be charged to cover the costs of developing and administering the decentralized retesting program. It is unclear from the legislation if a certified facility would need to collect and remit any late fees if the vehicle owner did not have a retest conducted within the allowed time period. If this is the case, then it is assumed that MVA would periodically audit facilities to ensure that these fees are being properly collected and remitted. Special fund expenditures could increase by an indeterminate amount to administer the program but the fees collected could offset the costs.

Should a facility be refused a license, a hearing may be requested to appeal a decision to the Office of Administrative Hearings (OAH). An increase in OAH hearings for these issues will be realized as additional expenditures for the MVA and MDE.

Existing Contract

Under this bill, up to 100,000 retests could be conducted at certified repair facilities rather than VEIP inspection stations, given 1.25 million initial tests. Of the 100,000 vehicles that must be retested, 35,000 would fail the initial retest. Therefore, up to 135,000 fewer tests would occur at VEIP inspection stations (out of 1.4 million tests overall). This represents a workload reduction of approximately 10% if all retests are handled at repair facilities. This could result in some operating cost savings if the MARTA contract could be renegotiated. Currently, retests are free at centralized stations (though late fees are charged).

State Vehicle Expenditures

It is assumed that State agencies could continue to conduct VEIP-related repairs on their own fleets, and have retests at the normal VEIP inspection station. However, if repairs must be conducted at a certified facility, State expenditures on these activities could increase. Currently, retests are free at these stations (though late fees are charged).

Local Effect: It is assumed that local governments could continue to conduct VEIP-related repairs on their own fleets, and have retests at the normal VEIP inspection station. However, if repairs and retests must be conducted at a certified facility, local expenditures on these activities could increase. Currently, retests are free at these stations (though late fees are charged).

Small Business Effect: There are currently between 8,000 and 10,000 mechanics and 2,200 service stations statewide. This bill requires a vehicle owner to present evidence that emissions related repairs were performed by a certified repair technician at a certified repair facility in order to qualify for the \$150 VEIP waiver. This could increase the revenues of such businesses as individuals and noncertified mechanics would no longer be eligible to perform the \$150 worth of repairs to become eligible for the VEIP waiver. However, only those vehicle repair facilities that are certified and have a certified repair technician could realize an increase in sales, while those facilities that are not certified could realize a reduction in sales. The number of facilities that would become certified cannot be reliably estimated at this time, although DFS assumes that the majority of such businesses would become certified and would likely realize increased sales.

The bill authorizes the MVA to establish regulations and impose fees for the certification of VEIP repair technicians and facilities. This would increase the expenses and administrative requirements of those technicians and repair facilities electing to become certified under the provisions of the bill, although DFS assumes that the increase in fees and administrative requirements would be significantly outweighed by the increase in revenue discussed above.

Further, the bill requires MVA and MDE to determine whether VEIP testing may be decentralized. In the event that certified repair facilities are authorized to perform VEIP retesting, up to 135,000 retests could be performed at these facilities. Thus, businesses electing to procure VEIP testing equipment and facilities could realize sales increases as a result of the convenience they would be able to provide (i.e., consumers are not required to return to a centralized testing facility after repair work is performed). DFS advises that those facilities that do not provide VEIP testing would be at a competitive disadvantage and could experience a decrease in VEIP related repairs revenue.

If the mandatory technician certification program is not implemented, this could affect approval of Maryland's SIP plan. Small businesses, particularly those in the manufacturing industry, may have to make costly improvements to their businesses to comply with the air pollution reduction requirements. These small businesses may also be ineligible for any expansions that would cause increased air pollution under such EPA restrictions.

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

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