HB 989

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 989 (Delegate Redmer, *et al.*)
Environmental Matters

Enhanced Vehicle Emissions Inspection Program - Moratorium Extension

This bill delays the full-scale implementation of the enhanced Vehicle Emissions Inspection Program (VEIP) from June 1, 1997 until June 1, 1998. 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 VEIP fee may not exceed $12 until June 1, 1998. After that, the fee may not exceed $14.

This bill is effective June 1, 1997.

Fiscal Summary

State Effect: Special fund revenue decrease of $208,300 in FY 1997 and $2.29 million in FY 1998. Indeterminate but potentially significant decrease in operational expenditures in FY 1997 and 1998.

Local Effect: Indeterminate decrease in expenditures for FY 1997 and 1998. Revenues would not be affected.

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

Fiscal Analysis

Background: The Vehicle Emissions Inspection Program (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 Envirotest 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 Envirotest. MARTA's contract is set to be available for renewal as of April 1, 1998.

State Effect:

VEIP Fee Revenues

This bill extends the $12 fee limit until June 1, 1998. Under the terms of Chapter 428, this fee limit is supposed to be set at $14 on June 1, 1997. Therefore, from June 1, 1997 until June 1, 1998 there would be a reduction in fee collections amounting to $2 per vehicle inspected. The Maryland Department of Transportation anticipates that 1.25 million cars would go through the inspection process, resulting in a loss of special fund revenues totaling $2.5 million. The first $208,300 would be lost in fiscal 1997; the remaining $2.29 million would be lost in fiscal 1998.

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 from June 1, 1995 to August 1, 1996; this renegotiation 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 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 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. If the Maryland's 15% SIP is not approved, 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 emissions discharged by businesses; the details of the FIP have yet to be determined. 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 transportation highway 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 delay in the implementation of a more stringent emissions test could lower their expenditures for repairs by an indeterminate amount.

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

If the EPA does not approve Maryland's SIP plan, restrictions may be placed on businesses to reduce the amount of pollution emitted. 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. 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 the Environment, Department of Fiscal Services

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Analysis by: Christina H. Kim
Reviewed by: Kim Wells-McDonnell
(410) 841-3710
(301) 858-3710

Direct Inquiries to:
John Rixey, Coordinating Analyst