Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

Revised

House Bill 623 (Delegates Elliott and Schisler)
Environmental Matters

Vehicle Laws - Vehicle Emissions Inspection Program - Exemption Period for New Vehicles

This bill exempts any new vehicle from tests and inspections under the Vehicle Emissions Inspection Program (VEIP) for a period of three years following the date of its initial purchase from a dealer, unless otherwise prohibited by federal law.

Fiscal Summary

State Effect: Potential revenue loss of approximately $3.0 million in FY 2001 and $1.0 million in FY 2002. Potential indeterminate increase in computer programming costs as discussed below. Potential indeterminate loss of federal funds.

Local Effect: Potential minimal reduction in local government expenditures in FY 2001 and 2002.

Small Business Effect: Minimal.

Fiscal Analysis

State Effect: Current regulations (COMAR 11.14.08.05b4) provide that new vehicles are exempt from the testing requirements of the VEIP program for two years. Exempting new vehicles for an additional year could result in a significant short-term decrease in State revenues. Revenues could decrease by $3,071,250 in fiscal 2001 and by $1,023,750 in fiscal 2002 based on the following facts and assumptions:

- the exemption will apply to vehicles titled on or after October 1, 1998;
- the average number of new vehicles titled in a year is 325,000;
- 292,500 (90%) of new vehicles are subject to VEIP testing requirements; and
- the test fee will increase to $14 in 2001.

It is estimated that there will only be a revenue loss during the first cycle of testing that would have occurred in 2000 (FY 2001). The MVA estimates that 75% of the vehicles titled on or after October 1, 1998 (fiscal 1999) would be subject to their first VEIP test in fiscal 2001 and the remaining 25% in fiscal 2002. Revenue generated from the VEIP test is expected to stabilize in subsequent years as vehicles will then have to be tested biennially even though new vehicles will continue to be purchased. The MVA's contract with MARTA is based on a monthly fee, rather than the number of vehicles tested. Therefore, there would be no change in the MVA's expenditures. However, if the contract were to change, MVA's expenditures could change as well.

The MVA advises that computer programming expenditures could increase by an estimated $10,000 to modify the computer programs as proposed in this legislation. The Department of Legislative Services (DLS) advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the MVA system. Further, DLS advises that the increased computer expenditure is simply an estimate and the MVA may be able to handle the changes with either less money than it estimates or existing resources.

The State could also realize an indeterminate loss of federal funds if exempting new vehicles for three years rather than two results in not attaining the pollution reduction goals established in the State Implementation Plan (SIP) filed with the U.S. Environmental Protection Agency. However, at this time any estimate related to achieving pollution reduction goals by granting an additional year's exemption would be speculative at best and cannot be made with any certainty. Therefore, any potential reduction in federal funds cannot be reliably projected at this time.

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

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