

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 726 (Chairman, Environmental Matters Committee)
 (Departmental – Transportation)
 Environmental Matters

Vehicle Laws - Vehicle Emissions Inspection Program - Fees

This departmental bill increases the maximum fee that the Motor Vehicle Administration (MVA) may set for testing and inspection under the Vehicle Emissions Inspection Program (VEIP) from \$14 to \$20.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Special fund revenue increase of approximately \$4 million annually beginning in FY 2002 and special fund expenditure decrease of approximately \$2.9 million annually beginning in FY 2002, assuming a \$20 fee and an associated decrease in VEIP contract costs.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
SF Expenditure	(2.90)	(2.90)	(2.90)	(2.90)	(2.90)
Net Effect	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local government costs related to vehicle emissions inspections will increase by \$6 per vehicle for the biennial test.

Small Business Effect: The MVA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: The MVA must set the fee to be charged for each vehicle to be inspected and tested by a facility. The fee may not exceed \$14. The current fee is \$14. A specified portion of the fee must be paid to or retained by the MVA to cover the cost of administration and enforcement of the emissions control program, as provided in the contract between the contractor and the State.

Background: In response to requirements of the federal Clean Air Act (CAA), Maryland has operated a vehicle emissions inspection and maintenance (I/M) program in various parts of the State since 1984. Maryland's VEIP was reauthorized in 1991 through legislation requiring the MVA and the Maryland Department of the Environment to establish an expanded and enhanced I/M testing program in compliance with the 1990 Amendments to the CAA. As amended in 1990, the CAA requires all areas of the country to achieve specific air quality standards for ozone, and provides penalties for states failing to achieve the standards.

Emissions testing in Maryland is operated as a centralized and privatized system. VEIP stations are State-owned with a contractor performing the tests and maintaining the facilities under State oversight. In fiscal 1999, the contract cost was \$9.8 million. The Board of Public Works recently approved a new five-year contract with Environmental Systems Product, Inc. Under the new contract, total costs are estimated at approximately \$18.9 million annually. The new contract, among other things, includes reduced customer wait time from 25 minutes to 15 minutes, added test protocols, modified and upgraded lane equipment, increased contract customer service staffing at test stations, added security and reliability of data collection with new inspection software, and increased vehicle inspections capacity.

The average fee for other states operating similar centralized emissions inspection programs is over \$20.

State Fiscal Effect: The MVA advises that approximately 1,142,000 vehicles pay for VEIP tests annually. The current test fee is \$14 per vehicle. The bill increases the maximum allowable fee to \$20. Because contract costs have increased significantly as a result of the new contract, it is not unreasonable to assume that the MVA will increase the fee to \$20. Assuming the fee is raised to \$20, VEIP fee revenues would increase by approximately \$6.9 million annually beginning in fiscal 2002. This estimate assumes that the number of vehicles tested annually remains the same.

Under the new contract for VEIP, test fees are retained by the contractor and used to offset contract costs. The MVA is billed for any additional contract costs, which are borne by the Transportation Trust Fund (TTF). VEIP contract costs for fiscal 2002 are

estimated at approximately \$18.9 million. Estimated VEIP fee revenues for fiscal 2002, assuming a \$14 fee, total approximately \$16 million. Accordingly, of the estimated \$6.9 million increase in fee revenues, approximately \$2.9 million would be retained by the contractor to offset contract costs, resulting in a commensurate decrease in TTF expenditures, and the remainder (approximately \$4 million) would be paid into the TTF.

Additional Information

Prior Introductions: Identical legislation was introduced during the 2000 session as HB 1218. The bill received an unfavorable report by the House Environmental Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader – February 16, 2001
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