HB 373

Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 373 (Delegates Hubbard and Cardin)
Environmental Matters

Establishment of Low Emissions Vehicle Program - Emissions Standards and Compliance Requirements

This bill requires the Maryland Department of the Environment (MDE), in conjunction with the Motor Vehicle Administration (MVA), to establish by regulation a Low Emissions Vehicle Program applicable to vehicles of the 2010 model year and each model year thereafter. MDE and the MVA must jointly adopt regulations by December 31, 2006.

The provisions relating to the required report take effect June 1, 2003 and sunset December 31, 2004. All other provisions take effect June 1, 2006.

Fiscal Summary

State Effect: General fund expenditure increase of $75,800 in FY 2004 for MDE to write the required report and begin developing the new program. Future year expenditures are annualized, adjusted for inflation, and reflect ongoing operating expenses. Potential minimal increase in Transportation Trust Fund (TTF) expenditures in FY 2004 for computer programming changes and in FY 2008 for modifications to the Vehicle Emissions Inspection Program (VEIP).

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	$0	$0	$0	$0	$0
GF Expenditure	75,800	91,200	97,000	107,300	110,100
SF Expenditure	-	0	0	0	-
Net Effect	($75,800)	($91,200)	($97,000)	($107,300)	($110,100)

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

Local Effect: Local expenditures for the purchase of vehicles could increase beginning with the 2010 model year.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill:

- requires the program to be functionally equivalent to California's Low Emissions Vehicle (LEV) Program;
- requires MDE, as part of the program, to establish motor vehicle emissions standards and compliance requirements equivalent to those in California's program applicable to motor vehicles of the 2009 model year and each model year thereafter;
- establishes limitations to what the program and the regulations may require;
- authorizes MDE to: (1) adopt California regulations, procedures, and certification data by reference; (2) adopt by regulation motor vehicle emissions inspection, recall, and warranty requirements; and (3) work in cooperation with and enter into contracts or agreements with California, other states, and DC to administer certification, in-use compliance, inspection, recall, and warranty requirements;
- requires MDE to work in conjunction with other states and DC to promote and facilitate the regional adoption of LEV programs functionally equivalent to California's program;
- authorizes the MVA to adopt regulations to exempt motor vehicles from the program under specified conditions;
- prohibits the MVA from titling or registering a motor vehicle not in compliance with the bill or its regulations;
- requires the MVA to adopt regulations to prohibit the transfer of motor vehicles or motor vehicle engines not in compliance with the bill;
- establishes prohibitions relating to the transfer of a motor vehicle or motor vehicle engine not in compliance with the program and the procurement through fraud or misrepresentation of the title or registration of a noncompliant motor vehicle; and
- applies existing enforcement provisions for violations of specified ambient air quality control provisions to a violation of the bill.

The bill also requires MDE and the MVA, with the assistance of the Department of Business and Economic Development (DBED), to submit a report by December 1, 2004, on the effect of the bill on Maryland's compliance with federal air quality requirements, the technological feasibility of the bill's required emissions reductions, the impact that emissions reductions will have on the State budget and the State economy, public response to the bill's requirements, and the content of any regulatory proposals, procedures, and protocols designed to meet the bill's requirements.

Current Law: As amended in 1990, the federal Clean Air Act (CAA) requires all areas of the country to achieve specific air quality standards and provides penalties for states failing to achieve the standards. Pursuant to CAA, any state may adopt and enforce for any model year standards relating to control of emissions from new motor vehicles or new motor vehicle engines if the standards are identical to the California standards for which a waiver has been granted for such model year, and if California and that state adopt the standards at least two model years before the beginning of the model year subject to those standards.

Background: California's LEV Program, a new car certification program, was adopted in 1990. The centerpiece of the program is a declining fleet average for nonmethane organic gas (NMOG). Four new sets of individual vehicle tailpipe standards were created and manufacturers were given the flexibility to produce vehicles meeting any set of standards as well as meeting federal standards so long as their sales weighted average complied with the declining NMOG average. The program has been amended over the years to further reduce emissions from mobile sources. The first LEV standards took effect in 1994 and will run through 2003. The next phase of the program, called LEV II, will run from 2004 through 2010.

In response to concern about global warming and its impact on the environment, public health, and the economy, California passed legislation in 2002 (Chapter 200) to require the California Air Resources Board (CARB) to adopt regulations by January 1, 2005 that achieve the maximum feasible and cost-effective reduction of greenhouse gases (GHGs) emitted by motor vehicles. (In recent years, scientists and others have raised concerns about increases in temperatures and precipitation occurring as a result of human activities that are altering the chemical composition of the atmosphere through the buildup of GHGs – primarily carbon dioxide, methane, and nitrous oxide, as well as hydrofluorcarbons, perflurocarbons, and sulfur hexafluoride).

Pursuant to the California law, the regulations may not take effect before January 1, 2006 and will apply only to a motor vehicle manufactured in the 2009 model year or any model year thereafter. Among other things, the law:

- requires the regulations to provide flexibility in the means by which compliance is achieved;
- prohibits CARB from imposing specified measures, such as fees and taxes, to reduce GHG emissions;

- requires CARB to grant emission reduction credits for reductions of GHG emissions achieved prior to the operative date of the regulations;
- provides that the regulations must exempt low-emission vehicles meeting optional standards for nitrogen oxides; and
- authorizes CARB to choose not to adopt a standard for a GHG under specified conditions.

It is unknown whether California will incorporate the requirements of Chapter 200 into its LEV II Program.

Other states, including New York and Massachusetts, have implemented LEV programs.

State Revenues: The civil and criminal penalty provisions of this bill are not expected to significantly affect State revenues.

State Expenditures: General fund expenditures for MDE could increase by an estimated $75,800 in fiscal 2004, as discussed below. State expenditures for vehicle purchases could increase beginning with model year 2010 vehicles. TTF expenditures could increase in fiscal 2004 due to MVA computer programming changes and in fiscal 2008 for modifications to VEIP.

Maryland Department of the Environment

General fund expenditures could increase by an estimated $75,800 in fiscal 2004, which assumes an October 1, 2003 start-up date. This estimate reflects the cost of hiring two public engineers to research and write the required report, develop regulations, and implement the new program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$65,500
Equipment/Operating Expenses	10,300
Total FY 2004 MDE Expenditures	**$75,800**

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; and (3) the purchase of replacement equipment in fiscal 2007. Although the bill's provisions relating to the required report sunset December 31, 2004 and all other provisions do not take effect until July 1, 2006, it is assumed that MDE would need to keep the engineers on staff to be able to successfully develop and implement the program established by the bill.

The Motor Vehicle Administration

The MVA advises that computer programming expenditures could increase by an estimated $30,000 in fiscal 2004 to account for vehicles that may become exempt from the new program and VEIP. The Department of Legislative Services (DLS) disagrees. First, the extent to which exemptions will be made under the new program is speculative. Second, DLS advises that if other legislation is passed requiring computer programming changes, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the MVA system.

The MVA also advises that in fiscal 2008, VEIP could incur a one-time cost of an estimated $50,000 to upgrade the onboard diagnostic (OBD) equipment units at VEIP stations and a one-time cost of an estimated $50,000 to modify the VEIP contractor's software to accommodate the new vehicles that would be sold as a result of this bill. DLS advises, however, that it is impossible to predict what vehicles will be available when the new program is implemented and whether those vehicles will require a new mechanical interface with VEIP. DLS further advises that it is likely that the MVA will incur these costs at some point in the future regardless of this bill.

The MVA could handle the bill's provisions relating to titling, registering, and transferring noncompliant vehicles with existing resources.

Department of Business and Economic Development

DBED could handle the bill's reporting requirements with existing budgeted resources.

Costs to Purchase Vehicles Beginning with Model Year 2010

Because vehicles meeting California's more stringent standards typically cost more than a vehicle on the road in Maryland today, State expenditures for the purchase of vehicles could increase beginning with model year 2010 vehicles. CARB estimates that a vehicle meeting LEV II standards would cost between $68 (for a passenger car) and $276 (for a heavy light-duty truck) more than a vehicle on the road today. DLS advises, however, that because the standards that will be adopted under the program are unknown and because it is impossible to predict what vehicles will be available when the program is implemented, it is difficult to estimate the price differential between vehicles meeting the future standards and other vehicles.

The criminal and civil penalty provisions of this bill are not expected to significantly affect State expenditures.

Local Revenues: The civil and criminal penalty provisions of this bill are not expected to significantly affect local revenues.

Local Expenditures: Local expenditures for the purchase of vehicles could increase beginning with model year 2010 vehicles. The civil and criminal penalty provisions of this bill are not expected to significantly affect local expenditures.

Small Business Effect: Once the new program has been implemented, small businesses may have to pay more to purchase a vehicle meeting the standards adopted under the program. In addition, new car dealerships could be affected to the extent the increased price of a vehicle impacts sales. Out-of-state new car sales could decrease if adjacent states do not adopt California's program or if vehicle manufacturers do not certify their new vehicles under both the federal program and California's program because adoption of the program by Maryland will require dealerships in the State to only sell cars meeting California's standards.

Additional Information

Prior Introductions: None.

Cross File: SB 542 (Senator Grosfeld) – Judicial Proceedings.

Information Source(s): Maryland Department of the Environment, Maryland Department of Transportation, Department of Business and Economic Development, California Air Resources Board, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2003
ncs/jr

Analysis by: Lesley Frymier

Direct Inquiries to:
(410) 946-5510
(301) 970-5510