

Department of Legislative Services  
 Maryland General Assembly  
 2004 Session

FISCAL AND POLICY NOTE

House Bill 1469 (Delegate Moe, *et al.*)  
 Environmental Matters

Vehicle Emissions Inspection Program - Statewide Application

This bill requires the State Vehicle Emissions Inspection Program (VEIP) to be applied statewide by December 31, 2007.

Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) capital expenditures will increase by approximately \$1.8 million in FY 2006 for land acquisition. Out-year capital and operating costs reflect design and construction of 10 VEIP stations, start-up and operating expenses, and additional personnel. TTF revenues will increase by \$2.6 million in FY 2008 from additional VEIP fees. Out-year revenues reflect annualization.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$0	\$0	\$0	\$2,583,900	\$5,167,900
SF Expenditure	0	0	294,400	6,332,900	7,837,100
Bond Exp.	0	1,775,000	10,855,000	15,842,500	0
Net Effect	\$0	(\$1,775,000)	(\$11,149,400)	(\$19,591,500)	(\$2,669,200)

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

**Local Effect:** Local government expenditures would increase for the counties that are currently exempt from testing as local government vehicles would be subject to testing fees and any related repair costs. **This bill may impose a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful. Small businesses in counties that are currently exempt from emissions testing will be subject to a \$14 testing fee for each vehicle they own, as well as any repair costs that may be required to meet emissions standards. Small service stations in previously exempt counties will benefit to the extent they will receive additional business for repairs.

## Analysis

**Current Law:** VEIP was created in 1984 to test vehicle emissions for carbon monoxide, hydrocarbons, and oxides of nitrogen to meet the standards established in the federal Clean Air Act. All model year 1977 and newer vehicles in the State must be inspected and tested every two years for a \$14 fee; however, some vehicles are exempt, including:

- ambulances and other emergency vehicles;
- vehicles less than two years old;
- vehicles owned by individuals aged 70 and over or with certain disabilities who drive less than 5,000 miles each year;
- vehicles over 26,000 pounds; and
- electric and hybrid vehicles.

The Motor Vehicle Administration (MVA) and the Maryland Department of the Environment (MDE) exercise joint authority over VEIP and may establish a statewide centralized or decentralized program or a combination thereof in separate regions of the State.

Under federal law, an enhanced inspections and maintenance program must be implemented in ozone nonattainment areas classified as extreme, serious, or severe to reduce volatile organic compounds (VOCs) and nitrogen oxide (NOx) emissions (ozone precursors). The Washington Metropolitan Statistical Area (MSA), which includes Calvert, Charles, Frederick, Montgomery, and Prince George's counties, and the Baltimore MSA, comprising Anne Arundel, Baltimore, Carroll, Harford, and Howard counties and Baltimore City, are classified as severe. Accordingly, vehicles registered in these two areas, as well as Cecil County, are subject to emissions testing.

The following counties are exempt: Allegany, Caroline, Dorchester, Garrett, Kent, St. Mary's, Somerset, Talbot, Wicomico, and Worcester.

**Background:** The VEIP program was expanded in 1991 to help meet federal air quality standards under the Clean Air Act; penalties for failure to meet those standards include loss of federal highway funds, limits on new industries, and imposition of a federal implementation plan. According to MDE, vehicle emissions account for 30% to 40% of pollutants that cause ground-level ozone in the Baltimore/Washington area.

Approximately 1.2 million vehicles in Maryland are tested annually; on-board diagnostic (OBD) systems are used for newer models. The VEIP testing network consists of 87

testing lanes at 19 centralized inspection stations located in 13 counties and Baltimore City.

**State Revenues:** TTF revenues will increase by approximately \$2,583,939 in fiscal 2008, assuming the following:

- the current \$14 biennial testing fee will not change;
- construction of VEIP stations will be completed by January 1, 2008 in all 10 counties that are now exempt;
- 12% of all vehicles will be exempt;
- 25% of approximately 576,772 vehicles (144,193) will be subject to testing in fiscal 2008 and pay \$2,018,702; and
- late fees (\$15 for the first 30 days after the testing date) will account for 28% of the test fee revenue, based on current activity.

Fiscal 2009 revenues will increase to \$5,167,878 as the program becomes fully effective in all the counties. The Department of Legislative Services (DLS) advises that any construction delays could result in lower revenues at some stations.

**State Expenditures:** TTF capital expenditures will increase by \$1.8 million in fiscal 2006, \$10.9 million in fiscal 2007, and \$15.8 million in fiscal 2008. TTF operating expenditures will increase by \$1,638,965 in fiscal 2007 and \$7,677,448 in fiscal 2008. Details are described below:

*Capital Costs:* TTF capital expenditures include land acquisition, equipment, and construction costs. This estimate assumes the following:

- The MVA will incur \$1,775,000 of capital costs to buy land in each county in fiscal 2006. This estimate assumes that each station will require two acres of land near a main thoroughfare in each county seat. The average cost for each site in 2004 dollars is \$177,500.
- Capital costs will increase further by \$10,855,000 in fiscal 2007 and \$15,842,500 in 2008 for design, construction, and equipment for the 10 VEIP stations. The MVA estimates that three-lane facilities at a cost of \$2,030,000 per facility will be needed for seven counties and the remaining three counties (St. Mary's, Allegany, and Wicomico) with a larger population will require four lanes at a cost of \$2.5 million per station.

- The fiscal 2008 estimate includes \$675,000 in start-up expenses for each three-lane facility and \$875,000 for each four-lane facility.

The equipment expenses include both the OBD equipment and traditional tailpipe and treadmill equipment. MDE advises that by 2010, approximately 85% of all vehicles tested will only require OBD diagnostics as most will be equipped with computers.

*Operating Costs:* TTF operating costs consist of additional personnel and operating expenses for the MVA, increased contract costs with the VEIP vendor, and the management fee paid to MDE for the Mobile Sources Program, which will include the costs of hiring personnel and obtaining additional equipment.

- Contract costs: The MVA contracts with Environmental Systems Products to provide testing – the current contract is for \$18.8 million to test up to 1.4 million vehicles annually. The contract cost would increase by \$3 million in fiscal 2008 and \$6 million in 2009 under the bill.
- Management fee: The MVA has an agreement with MDE under which MDE is reimbursed for certain VEIP-related expenses. The fee is expected to increase by \$294,410 in fiscal 2007, \$201,329 in fiscal 2008, and \$210,399 in fiscal 2009. MDE's Mobile Sources Control Program (under the Air and Radiation Management Administration) is responsible for overseeing the certification of emissions inspections facilities, repair technicians, and self-inspection stations, conducting quality assurance audits, and training for repair technicians. The department has 18 full-time staff dedicated exclusively to VEIP, including nine audit inspectors who also have other duties. MDE estimates that three new inspectors will be needed to audit 10 new stations.
- MVA personnel: The MVA will require six additional staff, including two VEIP supervisors and four customer agents, to support the additional testing activity. The MVA currently has six supervisors for 19 stations. Salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses are estimated to be \$431,564 in fiscal 2008, including mailing and printing costs for forms and notices to vehicle owners and office equipment for the VEIP stations.

MDE estimates that the expanded testing will reduce VOC emissions by 1.4 tons per day and nitrogen oxide emissions by 2 tons per day. The reduction will assist the State in complying with federal Clean Air Act requirements. However, the fiscal benefits of enhanced compliance cannot be determined at this time.

**Local Expenditures:** The 10 counties that would become subject to biennial emissions testing would be required to pay the \$14 test fee for local government vehicles (*e.g.*, school buses or vans), except for emergency or hybrid vehicles and those that are less than two years old. The impact will vary by jurisdiction. However, a local government can become exempt from the fee by becoming a fleet inspection facility.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of the Environment, Maryland Department of Transportation, Department of Legislative Services

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