HB 401

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 401 (Delegate Moe, *et al.*)
Environmental Matters

Vehicle Emissions Inspection Program - Statewide Application

This bill requires the Vehicle Emissions Inspection Program (VEIP) to be applied statewide by December 31, 2008.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) capital expenditures would increase by $2.1 million in FY 2007 for land acquisition. Out-year TTF expenditures reflect construction of 10 VEIP stations, start-up and operating costs, and additional personnel within the Motor Vehicle Administration (MVA). TTF revenues would increase by $611,900 in FY 2009 from additional VEIP late fees (test fees are retained by contractor). FY 2010 revenues reflect annualization.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	$0	$0	$0	$611,900	$1,254,400
SF Expenditure	0	0	312,600	1,972,100	3,219,100
Bond Exp.	0	2,075,000	11,940,500	19,310,000	0
Net Effect	$0	($2,075,000)	($12,253,100)	($20,670,200)	($1,964,700)

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

Local Effect: Local expenditures would increase for the counties that are currently exempt from testing; 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.

Analysis

Current Law/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. Under CAA, an enhanced I/M program must be implemented in ozone nonattainment areas classified as extreme, serious, or severe in order to reduce emissions of ozone precursors. In addition, Metropolitan Statistical Areas of 100,000 or more in the Ozone Transport Region must also have emissions inspection programs. Pursuant to CAA, VEIP has been established in Baltimore City and 13 counties (Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Frederick, Harford, Howard, Montgomery, Prince George's, Queen Anne's, and Washington). Emissions testing is not required in Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, St. Mary's, Talbot, Wicomico, and Worcester counties.

The MVA and the Maryland Department of the Environment (MDE) exercise joint authority over VEIP. 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. The VEIP testing network currently consists of 87 testing lanes at 19 centralized inspection stations located in 13 counties and Baltimore City.

All model year 1977 and newer vehicles in the State must be inspected and tested every two years for a $14 fee; some vehicles are exempt. Approximately 1.4 million vehicles are tested annually.

According to MDE, Marylanders drive more than 135 million miles each day, contributing up to 40% of the pollutants responsible for the State's air pollution problems.

State Revenues: TTF revenues would increase by approximately $611,911 in fiscal 2009, which assumes that:

- the 10 new VEIP stations would be operational as of January 1, 2009;
- 12% of all vehicles would be exempt;
- 25% of approximately 602,868 vehicles (150,717) would be subject to testing in fiscal 2009 and would pay $2,110,039 in test fees (which are retained by the contractor to offset contract costs, as discussed under State Expenditures); and
- late fees ($15 for the first 30 days after the testing date) would total 29% of test fee revenue, based on current activity.

Fiscal 2010 revenues from late fees would increase to $1,254,418, which reflects a full year of operation.

State Expenditures: TTF capital expenditures would increase by $2.1 million in fiscal 2007, $11.9 million in fiscal 2008, and $19.3 million in fiscal 2009. TTF operating expenditures would increase by $312,560 in fiscal 2008, $2.0 million in fiscal 2009, and $3.2 million in fiscal 2010. Details are provided below:

Capital Costs: TTF capital expenditures include land acquisition, construction, and start-up costs. The estimate assumes the following:

- Land acquisition costs would total $2,075,000 in fiscal 2007 to buy land in each of the 10 counties that would be affected by the bill. This estimate assumes that each station would require two acres of land on the outskirts of the county seat. This estimate was based on information provided by the MVA regarding the estimated cost of land in each of the affected counties.

- Construction costs would total $11.9 million annually in both fiscal 2008 and 2009. This estimate reflects the construction of three-lane facilities ($2,233,000 each) in seven of the affected counties and four-lane facilities ($2,750,000 each) in the three counties with a larger population (Allegany, St. Mary's, and Wicomico).

- Fiscal 2009 start-up costs (purchase and set-up of equipment) would total $695,250 for each three-lane facility and $834,250 for each four-lane facility.

Operating Costs: TTF operating costs consist of increased contract costs with the VEIP vendor, additional personnel and operating expenses for the MVA, and an increase in the management fee paid to MDE for the Mobile Sources Program, as described below.

- *Contract Costs:* The MVA contracts with Environmental Systems Products (ESP) to provide testing – the current contract is for $18.8 million to test up to 1.4 million vehicles annually. Under the bill, the contract cost would increase by an estimated $3.4 million in fiscal 2009 and $6.7 million in 2010, but would be partially offset by test fees that would be collected at the new stations. Accordingly, the net increase in contract cost to the MVA would total approximately $1.3 million in fiscal 2009 (reflecting $2.1 million in test fees collected at the new stations) and $2.4 million in fiscal 2010 (reflecting $4.3 million in test fees). These estimates are based on information provided by ESP to the MVA. Up to 1.8 million vehicles could be tested under the revised contract.

- *MVA Personnel:* The MVA would require seven additional staff, including two VEIP supervisors, four customer agents, and one computer information services section manager to support the additional testing activity. In 2004, VEIP consisted of 49 full-time staff. Salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses are estimated to total $496,481 in fiscal 2009 (which reflects a start date of October 1, 2008 for new staff) and $576,368 in fiscal 2010. These estimates include mailing and printing costs for forms and notices to vehicle owners and office equipment for the VEIP stations.

- *MDE 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 $312,560 in fiscal 2008, $213,032 in fiscal 2009, and $223,025 in fiscal 2010. MDE's Mobile Sources Control Program is responsible for implementing a certification program for emissions inspections facilities, repair technicians, and self-inspection stations, conducting quality assurance audits, and providing training for repair technicians. MDE has 14 full-time staff dedicated exclusively to VEIP. The above estimates reflect the cost to hire three new inspectors at the start of fiscal 2008; they include salaries, fringe benefits, one-time start-up costs (including vans and audit equipment), and ongoing operating expenses (including audit gases and regulators). MDE reimbursable funds (revenues and expenditures) would increase correspondingly.

MDE estimates that the expanded testing would reduce emissions of volatile organic compounds by 1.4 tons per day and emissions of nitrogen oxides by 2 tons per day. These reductions will assist the State in complying with CAA standards. 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 certain exempt vehicles. The impact would vary by jurisdiction. According to MDE, a local jurisdiction could become exempt from the fee by becoming a fleet inspection facility.

Small Business Effect: Small businesses in counties that are currently exempt from emissions testing would be subject to a $14 testing fee for each vehicle they own, as well as any repair costs that might be required to meet emissions standards. Small service stations in previously exempt counties would benefit to the extent they would receive additional business for repairs. MDE anticipates that approximately 150 repair facilities in the affected counties would choose to become certified repair facilities as a result of the bill.

Additional Information

Prior Introductions: HB 1469 of 2004 received an unfavorable report by the House Environmental Matters Committee.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Maryland Department of the Environment, Charles County, Montgomery County, Somerset County, Department of Legislative Services

Fiscal Note History: First Reader - February 8, 2005
ncs/ljm

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