

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 539 (Senator Frosh, *et al.*)
 Education, Health, and Environmental Affairs

Driver Relief Act of 2009

This bill requires State, local, and regional transportation plans, capital improvement programs, and project alternative selections to (1) attain a performance objective of reducing the statewide average of vehicle miles traveled (VMT) per capita 35% by January 1, 2036, based on the statewide per capita VMT level in 2005; and (2) be implemented or amended to reduce the statewide VMT per capita 2.8% by the end of 2012 and an additional 1.4% for each subsequent year through 2035. The Maryland Department of the Environment (MDE) must review and evaluate specified capital projects that initiate construction on or after October 1, 2009. MDE, in cooperation with the Maryland Department of Transportation (MDOT), may adopt regulations to ensure attainment of the VMT reduction.

Fiscal Summary

State Effect: General fund expenditures increase by \$210,000 in FY 2010 for four additional engineers. Transportation Trust Fund (TTF) expenditures increase by \$75,000 in FY 2010 for contractual services. Also, the bill may significantly increase State expenditures to implement statewide programs necessary to achieve the VMT performance objectives. Future year expenditures reflect annualization and inflation. Revenues are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	210,000	261,300	273,800	287,000	300,800
SF Expenditure	75,000	101,000	102,100	103,000	104,100
GF/SF Exp.	-	-	-	-	-
Net Effect	(\$285,000)	(\$362,300)	(\$375,900)	(\$390,000)	(\$404,800)

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

Local Effect: Potential significant increase in local expenditures to develop plans, programs, and projects to attain the VMT performance objective. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Current Law: In any program implementing VMT reductions as part of the State's compliance with the federal Clean Air Act, MDE must include provisions to allow:

- the averaging of reductions in VMT between different worksites of the same employer and of different employers;
- the sale between worksites and employers of credits for reduced VMT; and
- the greatest degree of flexibility in implementation, giving full consideration to the geographic differences among affected areas, in order to promote the economic and environmental interests of the areas affected.

Background: According to MDE, Marylanders drive more than 156 million miles each day, contributing up to 40% of the pollutants responsible for the State's air pollution problems. On-road sources of pollution account for approximately 30% of volatile organic compound emissions and 47% of nitrogen oxide emissions. Maryland has sought to reduce vehicle emissions by operating the Vehicle Emissions Inspection Program in various parts of the State since 1984.

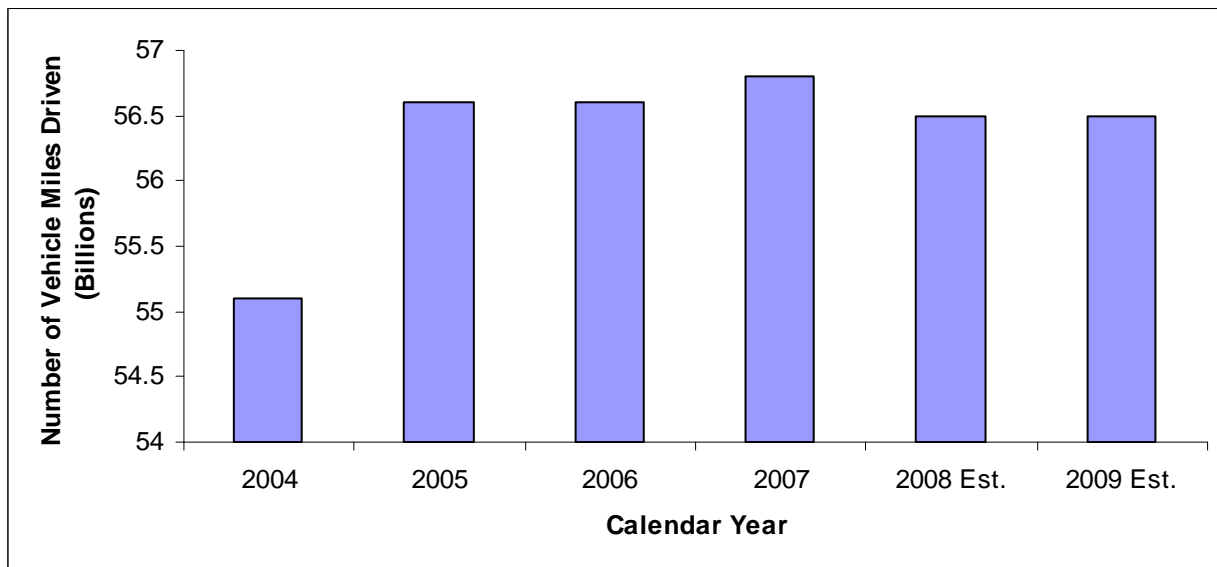
MDE advises that Maryland programs combined with federal requirements have reduced mobile source emissions in Maryland by about 50% since 1990, even with a 40% increase in VMT. By 2030, mobile source emissions are projected to be 10% of what they were in 1990. Despite this progress, much of the State remains in nonattainment of federal air quality standards for ozone and particulate matter. Accordingly, mobile source pollution remains a concern.

In August 2008 the Maryland Commission on Climate Change issued its *Climate Action Plan*, which includes a comprehensive assessment of climate change impacts in Maryland and a review and assessment of the costs of inaction. Most notably, however, the plan recommends the adoption of goals to reduce greenhouse gas (GHG) emissions by 10% by 2012; 15% by 2015; 25% to 50% by 2020; and 90% by 2050 (from 2006 levels). The plan includes a suite of 42 mitigation strategies to meet those goals; according to the

commission, adoption of those strategies will achieve an approximate reduction in GHG emissions of 40% to 55% from 2006 levels by 2020. One of the recommended mitigation strategies is to require an evaluation of GHG emissions for all transportation and land use-related major capital projects at the State and local level.

Historically, VMT has steadily increased except for minor declines during economic recessions. However, since November 2007, VMT in Maryland has declined each month except for February reflecting fluctuating gas prices and slower economic growth. VMT decreased 4.9% in August 2008 when compared to August 2007. **Exhibit 1** illustrates total VMT in the State during calendar 2004-2009.

Exhibit 1
Vehicle Miles Traveled in the State
Calendar 2004-2009



Sources: Department of Legislative Services and Governor's Fiscal 2010 Budget Books (Page I-648)

State Fiscal Effect:

Maryland Department of the Environment

The bill requires MDE to review State, local, and regional transportation plans, capital improvement programs, and project specific alternative selections to ensure compliance with the overall VMT reduction performance objective. MDE is also authorized to adopt regulations that include progress reporting, trend monitoring, and modeling of trend projections to ensure the effectiveness of the transportation measures reducing VMT per capita.

General fund expenditures increase by \$209,959 in fiscal 2010, which accounts for the bill's October 1, 2009 effective date. This estimate reflects the cost of hiring four regulatory compliance engineers to develop regulations to implement the program, perform the modeling, review the progress and planning reports, monitor the trend projections, and enforce the regulations. The engineers may be required to assess a significant number of projects that may reduce, maintain, or increase VMT. MDE receives projects from the State Highway Administration, every metropolitan planning organization in the State, and local governments. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	4
Salaries and Fringe Benefits	\$184,159
Equipment and Operating Expenses	<u>25,800</u>
Total FY 2010 MDE Expenditures	\$ 209,959

Future year expenditures reflect full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

Maryland Department of Transportation

MDOT's transportation plans and programs currently have a performance objective for air quality that is measured through the annual transportation air quality conformity process. This process ensures transportation plans and programs conform to the federally required State Implementation Plan. The bill requires establishing a parallel, VMT-focused, air quality planning process; projects must have individual evaluations. Establishing a separate process for reducing VMTs may increase planning costs and lead to project delays. While the exact impact cannot be estimated, it is potentially significant.

TTF expenditures increase by at least \$75,000 in fiscal 2010 for contractual services associated with developing VMT emissions inventories, plans, and regulations and participating in mobile sector GHG evaluation and monitoring. Future year expenditures are adjusted to reflect inflation.

Statewide

Attaining the performance objectives of reducing the statewide average of VMT per capita by specified deadlines may result in a significant increase in State expenditures. Any such impact cannot be quantified at this time. However, implementing traditional transportation programs and adjusting capital plans and project alternative selections

alone may not be sufficient to achieve this goal. Growth and land use patterns as well as transportation patterns, housing availability, and other demographics all contribute to VMT. Significant, immediate, and costly changes to regional planning programs and plans are likely required to reduce VMT.

Local Fiscal Effect: Many transportation projects originate at the local government level. To the extent the bill requires local governments to conduct additional VMT-specific evaluation and analysis as part of project planning and development, expenditures increase. Additionally, local government expenditures may increase to develop new data necessary for the State to perform the required VMT analysis and review. To achieve the performance objective, additional significant local expenditures are likely required to reduce VMT.

Small Business Effect: Small businesses may be impacted to the extent limits are put on their use of automobiles or trucks, and other transportation options are not available.

Additional Information

Prior Introductions: A similar bill, SB 254 of 1999, failed third reader in the Senate.

Cross File: HB 992 (Delegate McIntosh, *et al.*) - Environmental Matters.

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

Fiscal Note History: First Reader - February 27, 2009
mcp/ljm

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