

**Department of Legislative Services**  
 Maryland General Assembly  
 2011 Session

**FISCAL AND POLICY NOTE**

Senate Bill 324 (Senators Manno and Pugh)  
 Budget and Taxation

**Motor Vehicle Administration - Fee-Setting Authority - Miscellaneous Fees and  
 Vehicle Emissions Inspection Fees**

This bill raises, from \$14 to \$28, the maximum fee charged for a test or inspection under the Vehicle Emissions Inspection Program (VEIP), except that a senior citizen, an individual serving on active duty in the armed forces of the United States, or a veteran, may be charged a fee of up to \$21. The bill also alters the Motor Vehicle Administration (MVA) cost-recovery requirement to remove the cap on miscellaneous fees currently set at 100% of the sum of: (1) the MVA operating budget for the next fiscal year; (2) the average annual capital program as reported in the six-year Consolidated Transportation Program (CTP); and (3) the portion of the Maryland Department of Transportation’s (MDOT) data center operations attributable to MVA. The bill directs any net increase in VEIP revenues under the bill to the Transportation Trust Fund (TTF).

**Fiscal Summary**

**State Effect:** TTF revenues increase by about \$13.7 million in FY 2012 and by more than \$18.4 million beginning in FY 2013 due to the increase in VEIP fees under the bill. TTF expenditures increase by about \$562,700 in FY 2012 for the VEIP vendor to implement the bill, notify drivers of the fee increase, and due to the increase in credit card processing charges. It is assumed that MVA does not raise any fees other than the VEIP fee under the bill, despite the repeal on the maximum level of total miscellaneous fees that may be set.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	\$13,676,700	\$18,417,900	\$18,602,100	\$18,788,100	\$18,976,000
SF Expenditure	\$562,700	\$181,400	\$165,600	\$167,200	\$168,900
Net Effect	\$13,114,000	\$18,236,500	\$18,436,600	\$18,620,900	\$18,807,100

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

**Local Effect:** Local government expenditures increase minimally beginning in FY 2012 for jurisdictions that are subject to VEIP but do not conduct inspections through licensed fleet inspection stations.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** The bill defines a “senior citizen” as an individual who is at least age 65, and a “veteran” as an individual who served on active duty in the armed forces of the United States and was discharged or released under conditions other than dishonorable.

### **Current Law/Background:**

#### *Establishment of Miscellaneous Motor Vehicle Fees*

Before the start of any fiscal year MVA may alter by regulation the levels of miscellaneous fees, effective beginning in the upcoming fiscal year. “Miscellaneous fees” means all fees collected by MVA except for the vehicle titling tax and specified vehicle registration fees, including for registration of passenger cars and trucks.

MVA must set the levels of miscellaneous fees so that the total amount of projected revenues from all miscellaneous fees for the upcoming fiscal year is at least 95% but does not exceed 100% of the sum of (1) the MVA operating budget for that fiscal year as approved by the General Assembly in the annual State budget; (2) the average annual MVA capital program as reported in the CTP; and (3) the MVA portion of the cost for that fiscal year of MDOT’s data center operations. MVA must alter the levels of miscellaneous fees for the upcoming fiscal year if the projected cost-recovery exceeds 100%. However, MVA need not reduce fees for the upcoming fiscal year if legislative budget modifications cause the projected cost-recovery percentage to exceed 100%.

The level of a miscellaneous fee set by MVA remains in effect until again altered by MVA, and MVA may not alter miscellaneous fees more than once in any fiscal year.

Chapters 525 and 526 of 2010 established the Blue Ribbon Commission on Transportation Funding. The commission was tasked with reviewing, evaluating, and making recommendations on a variety of issues, including the current State funding sources and structure of TTF, and options for sustainable, long-term revenue sources for transportation. In February 2011, the commission released an interim report that recommended, among other things, raising \$800 million in net new annual funding for

transportation through a combination of new revenues and bonding, and removing the cost-recovery cap for miscellaneous MVA fees.

### *VEIP*

In response to requirements of the federal Clean Air Act, Maryland has operated a vehicle emissions inspection and maintenance program in various parts of the State since 1984. All model year 1977 and newer vehicles in the State, unless specifically exempted, must be inspected and tested every two years. MVA and the Secretary of the Environment must set the VEIP fee for each vehicle to be inspected and tested, which may not exceed \$14. The current fee is \$14.

**State Revenues:** TTF revenues increase by about \$13.7 million in fiscal 2012, which reflects the bill's October 1, 2011 effective date. This estimate is based on the following data and assumptions:

- vehicles in 13 counties and Baltimore City remain subject to VEIP;
- the number of inspections in fiscal 2012 are the same as in fiscal 2009;
- the number of inspections in out years reflects a 1% annual increase;
- the maximum fee authorized by the bill is charged for each vehicle class each year;
- about 20% of individuals who are age 70 or older are already exempt from inspections, consistent with current regulations;
- the number of veterans and active duty military personnel remain constant at current levels; and
- veterans, active duty military personnel, and those defined as seniors under the bill are assumed to own one vehicle each.

The estimate does not account for any increase in TTF revenues as a result of the adoption of regulations in the future to raise any of the miscellaneous fees beyond what is currently authorized under the fee cap. However, to the extent MVA raises any or all fees by regulation beyond the level that recovers 100% of costs, TTF revenues may increase substantially. For example, the Blue Ribbon Commission on Transportation Funding interim report discusses the possibility of raising driver license fees by \$10 per license to yield a \$15 million increase in TTF revenues.

**State Expenditures:** TTF expenditures increase by \$562,722 in fiscal 2012, and by about \$181,420 in fiscal 2013 to reimburse the current VEIP vendor for implementing the bill in a manner approved by MVA and for the increase in credit card processing charges that would have to be paid by MVA. Contractual costs are based on the current vendor's

quoted rates and the data provided by MVA. Credit card processing charge expenditures are based on the current rate being maintained in future years and on the estimated number of inspections.

	<u>FY 2012</u>	<u>FY 2013</u>
MVA Contractual Reimbursement	\$441,000	\$17,500
MVA Credit Card Processing Charges	<u>121,722</u>	<u>163,920</u>
<b>Total State Expenditures</b>	<b>\$562,722</b>	<b>\$181,420</b>

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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 Veterans Affairs, Maryland Blue Ribbon Commission on Transportation Funding, Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2011  
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Analysis by: Evan M. Isaacson

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