

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 883
(Delegate Wivell)
Environment and Transportation

Washington County - Vehicle Emissions Inspection Fees - Distribution

This bill requires the Motor Vehicle Administration (MVA) to remit 45% of the Vehicle Emissions Inspection Program (VEIP) fees (including late fees) collected at a facility in Washington County to the governing body of the county for the sole purpose of supplementing funds for improving and maintaining county highways.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues are not affected; however, TTF expenditures increase by \$259,500 in FY 2023 and by \$374,500 in FY 2027 as a result of the bill's requirement to redirect a portion of VEIP fees collected to Washington County.
This bill establishes a mandated distribution beginning in FY 2023.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	259,500	352,900	360,000	367,200	374,500
Net Effect	(\$259,500)	(\$352,900)	(\$360,000)	(\$367,200)	(\$374,500)

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

Local Effect: Washington County revenues increase by \$259,500 in FY 2023 and by \$374,500 in FY 2027. County expenditures are assumed to increase commensurately for highway improvement and maintenance.

Small Business Effect: Minimal.

Analysis

Current Law:

Vehicle Emissions Inspection Program

All model year 1977 and newer vehicles in the State, unless specifically exempt, must be inspected and tested every two years. MVA and the Maryland Department 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. **Exhibit 1** shows the required tests by vehicle type and model year.

Exhibit 1 **Required VEIP Tests by** **Model Year and Vehicle Weight**

<u>Required Tests</u>	<u>Model Year</u>	<u>Vehicle Weight</u>
Gas Cap Test	1977 through 1995	8,501-26,000 pounds
On-board Diagnostic Test	1996 and newer (powered by gasoline or propane)	8,500 pounds or less
	2008 and newer (heavy duty vehicles)	8,501-14,000 pounds
Idle Exhaust Emissions Test	1977 through 1995 (powered by gasoline or propane)	8,501-26,000 pounds
	2008 and newer (heavy duty vehicles)	14,001-26,000 pounds

VEIP: Vehicle Emissions Inspection Program

Source: Motor Vehicle Administration

Certain types of vehicles are currently exempt from VEIP, including:

- vehicles with a model year of 1976 or earlier;
- vehicles weighing more than 26,000 pounds (gross vehicle weight);

- vehicles powered solely by diesel or electric;
- motorcycles;
- vehicles registered as farm trucks, farm truck tractors, or farm area vehicles;
- historic or antique vehicles;
- new vehicles and qualified hybrids for the first 36 months after titling and registration;
- any fire apparatus or rescue apparatus owned or leased by the State of Maryland, a county, municipality, or volunteer fire department or rescue squad;
- ambulances;
- vehicles registered to owners age 70 or older, or vehicles registered with hard metal disabled tags, that are driven 5,000 miles per year or less (if co-owned, both owners must qualify for the waiver, and mileage must be recertified every two years to continue to receive the waiver);
- vehicles registered as Class N (street rod);
- military vehicles owned by the federal government and used for tactical, combat, or relief operations, or for training for these operations; and
- vehicles registered as Class H (school vehicle) or Class P (passenger bus).

A specific portion of the fee must be paid or retained by MVA to cover the cost of administration and enforcement of the program, as specified in the contract between the contractor operating any test facility and the State.

State/Local Fiscal Effect: MVA advises that Washington County's VEIP facility conducts approximately 45,729 VEIP tests annually. The total amount of VEIP fees, including late fees, collected at that facility each year totals \$768,925. Due to the bill's October 1, 2022 effective date, in fiscal 2023, MVA is expected to remit approximately \$259,512 to Washington County. In fiscal 2024, this amount increases to \$352,937, reflecting a full year and a 2% annual growth rate assumed by MVA. By fiscal 2027, the amount remitted to Washington County increases to \$374,539.

While the fees collected by MVA are not affected, their use for cost-recovery is. These fees are used to cover the costs of a third-party vendor that operates the facility. MVA advises the annual cost to manage that facility totals approximately \$712,047 and is not expected to change under the five-year period covered by this fiscal and policy note. Under the bill, the 55% in revenues collected by the facility that may still be used for cost recovery is insufficient to do so. Accordingly, TTF revenues from existing sources other than the fees collected at that facility, or existing fund balance, must be used to cover the anticipated shortfall (\$216,854 in fiscal 2023 and \$254,277 in fiscal 2027). The Department of Legislative Services advises that, as the facility costs are unchanged by the bill, TTF expenditures *only* increase by the amount required to be remitted to Washington County.

Exhibit 2 shows the shortfall in the ongoing expenditure amounts to manage the Washington County facility due to the newly required remittances to Washington County. As noted above, these costs are not new and are assumed to be covered by TTF fund balance or other existing revenue sources.

Exhibit 2
Washington County Facility Cost Shortfalls
Due to Portion of VEIP Fees Being Distributed to Washington County
Fiscal 2023-2027

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Revenues					
Total VEIP Fees and Late Fees*	\$576,694	\$784,304	\$799,990	\$815,989	\$832,309
Expenditures					
Ongoing Annual Cost to Manage Washington County Facility	534,035	712,047	712,047	712,047	712,047
Newly Required Remission to Washington County	259,512	352,937	359,995	367,195	374,539
Shortfall To Be Covered by TTF	(\$216,854)	(\$280,680)	(\$272,053)	(\$263,253)	(\$254,277)

TTF: Transportation Trust Fund

VEIP: Vehicle Emission Inspection Program

*Fee collections are unchanged by the bill.

Notes: Amounts for fiscal 2023 represent three-quarters of the year, given the bill's October 1, 2022 effective date. Amounts do not necessarily sum to shortfall totals due to rounding.

Source: Motor Vehicle Administration; Department of Legislative Services

Likewise, Washington County revenues increase by \$259,512 in fiscal 2023 and by \$374,539 in fiscal 2027. These amounts are assumed to be used for the sole purpose of supplementing funds for improving and maintaining Washington County highways, as required by the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None..

Information Source(s): Washington County; Maryland Department of the Environment; Maryland Department of Transportation; Department of Legislative Services

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