

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 104
(Senator Kramer)
Judicial Proceedings

Vehicle Emissions Inspection Program - Not Subject to Inspection - Fee

This bill requires the Motor Vehicle Administration (MVA) to establish a \$14 biennial fee on certain motor vehicles registered in the State that are granted a waiver from, exempted from, or not subject to the Vehicle Emissions Inspection Program (VEIP). MVA must collect the fee and deposit any revenues into the Maryland Strategic Energy Investment Fund (SEIF). Funds must be used only to (1) provide rebates on the sale of electric vehicles; (2) purchase electric transit and school buses; and (3) expand electric vehicle infrastructure.

Fiscal Summary

State Effect: SEIF special fund revenues increase, likely by several million dollars annually, beginning in FY 2023; special fund expenditures increase correspondingly for projects related to electric vehicles and associated infrastructure. Transportation Trust Fund (TTF) expenditures increase by approximately \$73,100 in FY 2023 for reprogramming; variable TTF expenditures also increase beginning in FY 2023 due to additional fee mailing notices. MVA and the Maryland Energy Administration (MEA) can otherwise implement the bill's requirements with existing budgeted resources. Negligible increase in expenditures for State agencies with specified emergency vehicles.

Local Effect: Local governments must pay the \$14 fee for their emergency vehicles; they may also benefit to the extent they are eligible to receive financial assistance under the bill for the specified activities, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: MVA must establish a \$14 biennial fee on each motor vehicle registered in the State that is:

- granted a waiver from mandatory inspections under the State's emissions control program, as required by the federal Clean Air Act;
- not subject to mandatory inspections due to the age of the vehicle (*i.e.*, vehicles of a model year earlier than 1977); or
- exempt under other provisions, such as those related to emergency vehicles; certain vehicles owned by drivers age 70 or older; and motor vehicles owned by an active duty member of the U.S. Armed Services, as specified.

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).

Maryland Strategic Energy Investment Program

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances to power plants under the Regional Greenhouse Gas Initiative. MEA administers SEIF.

State Fiscal Effect:

New Fee and Associated Strategic Energy Investment Fund Revenues and Expenditures

MVA advises that, on an annual basis, approximately 346,800 vehicles are exempt from VEIP. However, that figure includes Class L (historic) vehicles. While the bill *explicitly* subjects vehicles with a model year of 1976 or earlier to the \$14 fee, other Class L (historic) vehicles newer than those model years are not subject to the fee.

MVA estimates that approximately 77,300 registrations annually are Class L (historic) vehicles. Some portion of those vehicles (*i.e.*, those with a model year of 1976 or earlier) are assumed to be subject to the \$14 fee under the bill. The exact percentage of Class L (historic) vehicles that have a model year of 1976 or earlier is not known at this time; however, vehicles of those model years are assumed to comprise a relatively small portion of all Class L (historic) vehicles. Therefore, this analysis assumes that the vast majority of those registrants are not subject to the bill's \$14 fee.

For illustrative purposes only, special fund revenues for SEIF increase by approximately \$2,911,500 in fiscal 2023 and by \$3,882,000 in subsequent years under the following assumptions:

- 10% of Class L (historic) vehicles have a model year of 1976 or earlier (and are explicitly subject to the \$14 biennial fee under the bill);
- MVA charges the \$14 fee at the same time as registration renewal for registrations subject to the new fee beginning on the bill's effective date;
- a small portion (25%) of eligible registrations due for renewal in fiscal 2023 renew prior to the bill's October 1, 2022 effective date and, thus, do not pay the \$14 fee until subsequent renewal in fiscal 2025; and
- the total number of vehicles subject to the fee remains constant over a five-year period.

SEIF expenditures are assumed to increase correspondingly for the purposes specified by the bill. MEA can administer the additional funds with existing budgeted resources.

It is possible that the Maryland Transit Administration could be eligible for some of this funding to purchase electric transit buses and/or expand electric vehicle infrastructure.

Reprogramming and Mailing Costs

MVA further advises that computer reprogramming costs are necessary in order to implement the bill's requirements. In fiscal 2023 only, MVA estimates reprogramming costs totaling approximately \$73,100. Other variable costs are likely to be incurred as well. Specifically, MVA indicates that it must mail payment notices to most vehicle owners subject to the new fee (a portion of owners already receive regular notices from MVA regarding the VEIP exemption; additional mailings are unnecessary for those registrants). Under the illustrative scenario described above, TTF expenditures increase by about \$137,200 in fiscal 2023 and by about \$85,500 in subsequent years for additional mailings only. Because the bill does not allow MVA to recover its costs from the revenue it collects pursuant to the bill, any such expenditures are assumed to be incurred by TTF.

Local Fiscal Effect: Fire apparatus, rescue apparatus, and ambulances registered as emergency vehicles and owned or leased by political subdivisions are subject to the \$14 fee. Accordingly, local expenditures increase minimally beginning in fiscal 2023.

Certain projects funded through the new fee may benefit local governments, assuming they are authorized as eligible recipients. For example, the purchase of electric transit and school buses would result in cost savings for local governments and local school systems.

Small Business Effect: The bill requires MEA to use the new fee revenues to incentivize and purchase electric vehicles and to expand electric vehicle infrastructure. Therefore, any small businesses that are involved in those industries may be eligible to receive program funding.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 46 (Delegate Fraser-Hidalgo) - Environment and Transportation.

Information Source(s): Maryland Department of the Environment; Maryland Energy Administration; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - January 17, 2022

fnu2/lgc

Analysis by: Eric F. Pierce

Direct Inquiries to:

(410) 946-5510

(301) 970-5510