

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader - Revised

Senate Bill 277

(Senator Madaleno)

Judicial Proceedings

Motor Vehicle Emissions Inspection Program - Prohibition on Suspension or
 Revocation of Registration

This bill prohibits the Motor Vehicle Administration (MVA) from suspending, revoking, or denying the registration of a vehicle based solely on the vehicle owner’s failure to have the vehicle inspected and tested as required under the Vehicle Emissions Inspection Program (VEIP).

Fiscal Summary

State Effect: Special fund revenues for the Transportation Trust Fund (TTF) decrease by at least \$1.9 million in FY 2018 as fewer vehicle owners comply with VEIP. In subsequent years, TTF revenues decrease by at least \$2.6 million. If the number of vehicle owners who fail to comply with VEIP increases due to the elimination of the enforcement mechanism, TTF revenues decline more significantly, as discussed below. Expenditures are not directly affected.

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	(\$1.9)	(\$2.6)	(\$2.6)	(\$2.6)	(\$2.6)
Expenditure	0	0	0	0	0
Net Effect	(\$1.9)	(\$2.6)	(\$2.6)	(\$2.6)	(\$2.6)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: In response to requirements of the federal Clean Air Act, Maryland has operated VEIP in various parts of the State since 1984. 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 (MDE) must set the VEIP fee for each vehicle to be inspected and tested, which may not exceed \$14. The current fee is \$14.

State VEIP regulations require the following tests for the following vehicles:

- an idle exhaust emissions test, catalytic converter check, and gas cap leak test for vehicles of model year 1977 through 1995 that are 8,500 pounds or less;
- an on-board diagnostic (OBD) test for vehicles of model year 1996 and newer that are 8,500 pounds or less;
- an idle exhaust emissions test, catalytic converter check, and gas cap leak test for vehicles of model year 1977 through 2007 that are between 8,500 pounds and 14,000 pounds;
- an OBD test for vehicles of model year 2008 or newer that are between 8,500 pounds and 14,000 pounds; and
- an idle exhaust emissions test, catalytic converter check, and gas cap leak test for vehicles of model year 1977 or newer that are between 14,001 pounds and 26,000 pounds.

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 for the first 24 months and qualified hybrids for the first 36 months after titling and registration;
- any fire 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) vehicles;
- 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) vehicles.

Background: All vehicles registered in Maryland (unless specifically exempt) must undergo VEIP inspections. According to MVA, motorists drive approximately 135 million miles in Maryland daily, an amount that increases each year. VEIP ensures vehicles are operating efficiently and, thus, reduces air pollution created by vehicle emissions (a major component of smog). VEIP is jointly administered by MVA and MDE. MVA is responsible for collection of motorist test fees and payment of operations contractor fees.

Current law allows specified disabled motorists and senior motorists to apply for an exemption from VEIP if they drive 5,000 miles or less annually. The exemption benefits affected motorists while also limiting the negative air quality effects (via the mileage cap) of foregoing the emissions inspection.

MDE advises that the federal Clean Air Act and related regulations specifically require vehicle emissions inspection programs to enforce motorist compliance through the vehicle registration process. The department further advises that the registration denial enforcement mechanism is designed to be an immediate, meaningful action to keep noncompliant vehicles from operating on public roads by requiring emissions testing prior to, and coincident with, vehicle registration. For optimum effectiveness, and as is done in other states, emissions testing and vehicle registration are closely linked. (Usually, testing is required within a specified number of days of the end of the month in which the vehicle registration expires.) Maryland is different in that VEIP testing and vehicle registration renewal are not closely linked and can be almost 24 months apart, allowing noncompliant vehicles to continue to operate on public roads for some time.

To mitigate the negative effects of a lengthy time gap between the test due date and consequences for noncompliance, Maryland initiated its enforcement method of suspension with subsequent registration denial. Even though Maryland's method does not exactly follow the federal model of immediate registration denial, the Clean Air Act allowed an exception for existing enforcement programs that could be shown to be as effective. EPA approved the State's plan because the suspension aspect provides sufficient mitigation and makes Maryland's enforcement mechanism as effective as the federal model in keeping noncompliant vehicles off the road.

State Revenues: MVA advises that, currently, registration suspension is the only enforcement tool for vehicle owners that fail to comply with the emissions inspection program. If the requirement is removed, vehicle owners are less likely to have the test performed. In fiscal 2016, approximately 1.8 million VEIP tests were completed. In addition, 612,721 suspension warning letters were mailed to customers for noncompliance, while 88,927 registrations were suspended. The VEIP inspection costs \$14, while the late fee for failure to have the inspection done when required is \$15.

Assuming that a similar number of vehicle owners continues to be noncompliant in the future, MVA estimates that TTF revenues decline by at least \$1.9 million in fiscal 2018 to reflect the bill's October 1, 2017 effective date and by at least \$2.6 million in subsequent years. This estimate assumes that approximately 88,900 vehicles annually fail to have the VEIP inspection completed.

However, because the bill no longer allows registration suspensions, MVA no longer has an enforcement mechanism; thus, vehicle owners may be less likely to comply with VEIP than they are under current law. If a larger percentage fails to comply with the VEIP requirement, TTF revenues decline much more significantly. For instance, if 612,721 vehicle owners fail to comply under the bill (the same number of owners who received warning letters in fiscal 2016), TTF revenues decline by \$13.3 million in fiscal 2018 and by \$17.8 million in subsequent years.

Additional Comments: MVA advises that it does not anticipate any impact on its VEIP contract at this time as all the vehicles currently subject to inspection would still be in the program and receive notices for testing. Even so, the Department of Legislative Services advises that, under the bill, all vehicle owners could elect to not comply with the VEIP requirement and that MVA would have no recourse, even at renewal of registration. Under such a scenario, the contract would be affected.

MDE advises that failure to meet State commitments under the Clean Air Act would make Maryland vulnerable to sanctions, including withholding of hundreds of millions of dollars in federal highway funds. Sanctions could also include emissions offset requirements.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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