

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1215 (Delegates Wivell and Valentino-Smith)
 Environment and Transportation

Vehicle Emissions Inspection Program - Exemptions - Vehicles With Low Annual Mileage

This bill exempts *all* motor vehicles driven 2,500 miles or less annually from the Vehicle Emissions Inspection Program (VEIP) if the exemption is not otherwise prohibited by federal law. The owner must certify that the vehicle is driven 2,500 miles or less annually on a form provided by the Motor Vehicle Administration (MVA). The certification may not be made for more than two consecutive two-year terms without requiring the motor vehicle to be inspected and tested by a facility, unless the motor vehicle has an on-board computer with the ability to transmit emissions diagnostic data remotely. Finally, the bill repeals an inspection exemption for vehicles driven less than 5,000 miles per year whose owners meet specified disability and age criteria. Thus, any vehicles that are currently exempt under those provisions – but driven more than 2,500 miles annually – are subject to VEIP inspections under the bill.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease by *at least* \$128,100 in FY 2020 and by \$170,800 in *most* subsequent years. However, as discussed below, the revenue impact could be much more significant and the exemption is only valid for four years, creating an uneven pattern. TTF expenditures are not materially affected.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	(\$128,100)	(\$170,800)	(\$170,800)	(\$170,800)	(\$42,700)
Expenditure	0	0	0	0	0
Net Effect	(\$128,100)	(\$170,800)	(\$170,800)	(\$170,800)	(\$42,700)

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.

Exhibit 1 shows the required tests by vehicle type and model year, [as reported by MVA](#).

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 8,500 pounds or less (gross vehicle weight) with a model year of 1995 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 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).

Background: All vehicles registered in Maryland (in nonattainment areas for pollutants under the federal Clean Air Act, 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.

State Revenues: MVA advises that approximately 1.6 million vehicles are tested annually under VEIP and, based on odometer readings recorded by the program vendor, about 25,000 of those vehicles are driven less than 2,500 miles annually.

In addition, about 40,000 vehicles qualify for the existing senior/disability waivers. Of those vehicles, MVA estimates that about 32% (12,800) are driven more than 2,500 miles annually (and are, therefore, no longer exempt from VEIP requirements under the bill).

Thus, while the bill likely exempts around 25,000 vehicles, it also subjects about 12,800 vehicles to VEIP inspections. The net effect on the number of annual VEIP exemptions is estimated to be a 12,200 decrease. Taking into account the \$14 inspection fee, TTF revenues decrease by about \$170,800 under the bill in most years. In fiscal 2021, TTF revenues only decrease by about \$128,100 (reflecting the bill's October 1, 2020

effective date). However, given the bill's limitation of the exemption to two consecutive two-year terms, these vehicles must be inspected again in fiscal 2025 (except for one-quarter of them due to the bill's October 1, 2020 effective date – they must be inspected in fiscal 2026). Accordingly, TTF revenues decrease by about \$42,700 in fiscal 2025, and the pattern repeats starting in fiscal 2026.

This estimate does not factor in the impact of any potential foregone late fee revenues, which MVA has historically advised make up a large portion of VEIP revenues. The late fee is \$15 and is assessed the day after the due date (and every four weeks thereafter until paid).

In addition, MDE advises that it anticipates many more vehicles may take advantage of the bill's exemption – as many as 300,000 annually – primarily as a result of the bill's self-certification provisions. Should that occur, TTF revenues decrease much more significantly than under MVA's assumptions above (by about \$4.2 million in most years, subject to the same pattern due to the limitation on the exemption and the bill's effective date).

Additional Comments: Although previous estimates regarding VEIP exemptions have assumed a greater impact on TTF revenues, MVA's estimate for this bill is based on actual data (odometer readings) from the VEIP vendor.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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