

**Department of Legislative Services**  
 Maryland General Assembly  
 2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 106 (Senator Ready, *et al.*)  
 Judicial Proceedings

**Vehicle Laws - Vehicle Emissions Inspection Program - Repeal**

This bill repeals the Vehicle Emissions Inspection Program (VEIP) that is jointly administered by the Motor Vehicle Administration (MVA) and the Maryland Department of the Environment (MDE).

**Fiscal Summary**

**State Effect:** Transportation Trust Fund (TTF) revenues decrease by approximately \$46.5 million in FY 2027 and \$67.1 million in 2031, reflecting the loss of VEIP fee revenues (including late fees). TTF expenditures decrease by approximately \$14.5 million in FY 2027 and \$19.3 million annually thereafter due to the elimination of contractual services and administrative costs related to VEIP. The decrease in TTF expenditures and revenues also affects MDE, which is reimbursed for its administrative costs (totaling approximately \$1.2 million annually) through TTF. The bill also has a significant operational impact on MVA and MDE, with 21 total positions (combined) potentially no longer needed once VEIP operations end. Other potentially significant effects are not quantified but are discussed below.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	(\$46.5)	(\$63.2)	(\$64.5)	(\$65.8)	(\$67.1)
ReimB. Rev.	(\$0.9)	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)
SF Expenditure	(\$14.5)	(\$19.3)	(\$19.3)	(\$19.3)	(\$19.3)
ReimB. Exp.	(\$0.9)	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)
Net Effect	(\$32.0)	(\$43.9)	(\$45.2)	(\$46.5)	(\$47.8)

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

**Local Effect:** The bill does not directly affect local government operations or finances.

**Small Business Effect:** Potential meaningful.

## Analysis

**Current Law:** Title 23, Subtitle 2 of the Transportation Article generally requires all model year 1977 and newer vehicles in the State to be inspected and tested every two years, unless specifically exempt. MVA and MDE must set the VEIP fee for each vehicle to be inspected and tested, which may not exceed \$30 through June 30, 2026. The current fee is \$30 but must be adjusted in future fiscal years to account for changes in the Consumer Price Index, as required by the Budget Reconciliation and Financing Act of 2025.

### *Statutory Waivers/Exemptions*

A vehicle owner must be granted a waiver from the VEIP inspection requirement if the vehicle fails to pass the exhaust emissions test but the owner provides specified evidence of payment for emissions-related repairs.

Persons with special disability registration plates, persons age 70 or older, and deployed military personnel are eligible for an exemption from the inspection requirement under specified circumstances (MVA/MDE regulations refer to these exemptions as “waivers”).

Any fire or rescue apparatus or ambulance owned or leased by a political subdivision of the State, or by a volunteer fire company, rescue squad, or volunteer ambulance company, registered as an emergency vehicle is exempt from VEIP inspections.

### *Regulations*

Section 23-207 of the Transportation Article authorizes MVA and the Secretary of the Environment to jointly adopt rules and regulations for purposes of implementation, administration, regulation, and enforcement of the provisions of the VEIP statute, including rules and regulations that, consistent with federal law, exempt certain vehicles from the inspections and tests under the program.

MVA/MDE regulations establish various additional exemptions, including exempting vehicles not registered in the “emissions inspection area” (Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Frederick, Harford, Howard, Montgomery, Prince George’s, Queen Anne’s, and Washington counties, and Baltimore City). Diesel vehicles are regulated under a separate program.

### **State Fiscal Effect:**

#### *Direct Program Costs and Revenues*

The bill has a significant fiscal and operational impact on MVA and MDE. Vehicles in the State must be tested biennially, although there are various waivers and exemptions in place

(as noted above) that may delay or eliminate the testing requirement. In fiscal 2025, there were 1,269,420 initial tests performed and VEIP generated approximately \$32.0 million in revenue for TTF, including \$18.4 million in test fees and \$13.6 million in late fees.

As shown in **Exhibit 1**, based on MVA’s current projections and the recent fee increases established by the BRFA of 2025, TTF revenues decrease by an estimated \$46.5 million in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. In fiscal 2031, TTF revenues decrease by approximately \$67.1 million. Although most of the revenue decrease is attributable to the loss of initial testing fees, more than one-third is attributable to late fee revenues for individuals who do not obtain a VEIP test on time.

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**Exhibit 1**  
**Impact of Eliminating the Vehicle Emissions Inspection Program**  
**Fiscal 2027-2031**  
**(\$ in Millions)**

	<u><b>FY 2027</b></u>	<u><b>FY 2028</b></u>	<u><b>FY 2029</b></u>	<u><b>FY 2030</b></u>	<u><b>FY 2031</b></u>
Testing Fee Revenues	(\$29.3)	(\$39.8)	(\$40.6)	(\$41.4)	(\$42.2)
Late Fee Revenues	(17.3)	(23.5)	(23.9)	(24.4)	(24.9)
<b>Total TTF Revenues</b>	<b>(\$46.5)</b>	<b>(\$63.2)</b>	<b>(\$64.5)</b>	<b>(\$65.8)</b>	<b>(\$67.1)</b>
Contractual Services	(\$11.0)	(\$14.6)	(\$14.6)	(\$14.6)	(\$14.6)
MVA Expenditures	(2.6)	(3.5)	(3.5)	(3.5)	(3.5)
MDE Expenditures	(0.9)	(1.2)	(1.2)	(1.2)	(1.2)
<b>Total Expenditures</b>	<b>(\$14.5)</b>	<b>(\$19.3)</b>	<b>(\$19.3)</b>	<b>(\$19.3)</b>	<b>(\$19.3)</b>
<b>Net Impact</b>	<b>(\$32.0)</b>	<b>(\$43.9)</b>	<b>(\$45.2)</b>	<b>(\$46.5)</b>	<b>(\$47.8)</b>

MDE: Maryland Department of the Environment  
MVA: Motor Vehicle Administration  
TTF: Transportation Trust Fund

Source: Maryland Department of Transportation; Department of Legislative Services

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TTF expenditures are estimated to decrease by approximately \$14.5 million in fiscal 2027, accounting for the bill’s October 1, 2026 effective date, and by \$19.3 million in subsequent years due to the elimination of contractual services for the vendor operating the program

and a decrease in MVA/MDE expenditures for staff and other operational costs. MVA advises the VEIP contract is for a five-year period (ending June 30, 2030). Annual expenses support the day-to-day management and operation of centralized VEIP stations and 24/7 kiosks. Contract expenditures include personnel costs for approximately 150 positions, supplies, and materials along with other operating costs. MVA notes that, should the VEIP contract be cancelled, the State will incur costs for an early termination, including “reasonable” reimbursement for contractor costs associated with early termination; however, any such costs are not accounted for in this analysis.

In total, 21 State positions (11 with MDE and 10 with MVA) are likely affected by the repeal of VEIP. MVA advises MDE incurs about \$1.2 million annually in administrative costs, while MVA incurs about \$3.5 million annually. Under the bill, these positions are assumed to no longer be needed, although MVA and MDE may be able to reassign staff to other activities, in which case the savings are less than shown above.

#### *Other Potential Impacts*

*Federal Funding:* As VEIP is part of Maryland’s State Implementation Plan required by the U.S. Environmental Protection Agency, repealing VEIP will likely incur federal penalties that could result in the withholding of otherwise eligible federal aid dollars. However, any such impact cannot be reliably predicted and is not included in this analysis.

*Property and Capital Assets:* MVA notes that there may be one-time revenues associated with the sale of property and capital assets at the testing stations owned by MVA, and these sales will also likely entail significant staff time. Any sale proceeds cannot be quantified at this time and are not included in this analysis.

*Bond Coverage:* MVA advises that MDOTS’s five-year financial plan fully accounts for all available funding to its debt service, operating budget, and capital budget. MDOT must maintain a balanced six-year program in accordance with federal guidelines. The loss of revenue associated with the repeal of VEIP causes MDOT to fall below its policy limit of 2.5 times coverage for its net income test. Thus, to maintain the required coverage, MDOT would need to (1) increase revenues from another source; (2) decrease operating and/or capital expenditures; or (3) a combination of the two. However, any such impact is not included in this analysis.

**Small Business Effect:** Small businesses that own vehicles subject to VEIP testing may realize cost savings and efficiencies, as vehicles will no longer need to be tested every two years.

## Additional Information

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 183 (Delegate Bouchat, *et al.*) - Environment and Transportation.

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

**Fiscal Note History:** First Reader - February 3, 2026  
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