

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1296 (Delegate Glass, *et al.*)
 Environment and Transportation

Vehicle Laws - Class G (Trailer) Vehicles - Permanent Registration

This bill requires the Motor Vehicle Administration (MVA) to offer a one-time, permanent nonfreight Class G (trailer) and special Class G (farm trailer or semitrailer) vehicle registration. Registration fees vary based on the maximum gross weight limit. A permanent registration is nontransferable.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures increase by approximately \$155,500 in FY 2018 to hire additional personnel and to contract with an outside vendor for computer reprogramming. TTF revenues increase by approximately \$1.8 million in FY 2018 and by \$2.4 million in FY 2019 as some existing and all new vehicle owners choose the permanent registration option and pay a higher fee. In subsequent years, TTF revenues decline significantly, reflecting the compounding effect of the loss in biennial registration fee revenues relative to the one-time fee, as discussed below.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	\$1,809,200	\$2,412,500	(\$4,985,300)	(\$7,086,900)	(\$11,545,600)
SF Expenditure	\$155,500	\$116,200	\$122,000	\$128,000	\$134,500
Net Effect	\$1,653,700	\$2,296,200	(\$5,107,300)	(\$7,215,000)	(\$11,680,000)

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

Local Effect: Local highway user revenues increase in FY 2018 and 2019, reflecting higher registration fees paid by registrants who opt for permanent registrations. In subsequent years, local highway user revenues decrease, consistent with the overall decline in trailer registration fee revenues.

Small Business Effect: Minimal.

Analysis

Bill Summary: On application, MVA must issue a one-time, permanent Class G (trailer) vehicle registration. The one-time registration fee for a nonfreight trailer or semitrailer is based on the maximum gross weight, as shown below.

<u>Maximum Gross Weight (in pounds)</u>	<u>Fee</u>
3,000 or less	\$75.00
3,001 to 5,000	\$125.00
5,001 to 10,000	\$200.00
10,001 to 20,000	\$300.00

In addition, if the vehicle weighs more than 10,000 pounds, it must be registered in a specified weight range.

Similarly, the bill requires MVA to offer a one-time, permanent registration option for a special Class G farm trailer or semitrailer. Again, the registration fee varies by weight, as shown below.

<u>Maximum Gross Weight (in pounds)</u>	<u>Fee</u>
3,000	\$37.50
5,000	\$62.50
10,000	\$100.00
20,000	\$150.00

Current Law: MVA issues Class G registrations for freight and nonfreight trailers or semitrailers and for farm trailers or semitrailers. A Class G farm trailer or semitrailer registration may be issued to any applicant who certifies that the applicant is a farmer and that the vehicle for which the application is made is a farm trailer or semitrailer, specifying its proposed use.

A “farmer” is defined for registration purposes in the Maryland Vehicle Law as a person who raises, grows, and produces farm products on a farm of at least three acres, or keeps at least 25 hives of bees for the pollination of orchards and farm crops and the commercial production of honey.

The annual registration fee for each farm trailer or semitrailer is:

- \$12.75 for a vehicle with a maximum weight limit of 3,000 pounds;
- \$25.50 for a vehicle of up to 5,000 pounds;
- \$40.00 for a vehicle of up to 10,000 pounds; and
- \$62.00 for a vehicle of up to 20,000 pounds.

A farm trailer or semitrailer may not be used for hire except to haul farm products for another farmer, or in any manner other than a farm trailer or semitrailer.

A nonfarm Class G trailer or semitrailer is classified as either a freight or nonfreight vehicle. A nonfreight trailer or semitrailer is a vehicle designed for towing by a Class A (passenger) vehicle, a Class M (multipurpose) vehicle, or a Class E (truck) vehicle. The annual registration fee for a nonfreight trailer or semitrailer is:

- \$25.50 for a vehicle with a maximum weight limit of 3,000 pounds;
- \$51.00 for a vehicle of up to 5,000 pounds;
- \$80.00 for a vehicle of up to 10,000 pounds; and
- \$124.00 for a vehicle of up to 20,000 pounds.

State Expenditures: MVA advises it needs additional personnel to implement the bill. Because of the number of eligible registrants as well as the anticipated interest in obtaining the new permanent registrations, MVA requires one additional customer service agent to handle the influx of additional calls stemming from the bill. In addition, MVA advises that transactions in which a current biennial trailer registrant chooses to obtain a permanent trailer registration would require manual processing, as these types of transactions cannot be processed through the normal remittance processor method. Based on the estimated number of trailer owners who would choose to opt for the permanent registration initially and in subsequent years, MVA anticipates hiring one additional customer service agent to manually process the transactions. MVA also notes that computer reprogramming is required as a result of the bill – totaling \$61,500 (or 615 hours at \$100 an hour). Additional internal reprogramming changes can be handled with existing budgeted resources.

Special fund expenditures increase by \$155,505 in fiscal 2018, which accounts for the bill’s October 1, 2017 effective date. This estimate reflects the cost of hiring two customer service agents to handle the additional workload generated under the bill. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and one-time computer reprogramming changes.

Positions	2
Salaries and Fringe Benefits	\$83,787
External Computer Reprogramming	61,500
Other One-time and Operating Costs	<u>10,218</u>
Total FY 2018 State Expenditures	\$155,505

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

State Revenues: The bill allows one-time, permanent registration for nonfreight trailers and semitrailers as well as farm trailers and semitrailers. At the same time, the bill maintains the current annual registration fees (paid biennially) – thus, allowing vehicle owners to choose between a one-time, permanent registration and an annual registration (again, paid biennially). The precise impact on revenues is uncertain, and it depends on the extent to which trailer owners choose the permanent registration option. The current number of eligible vehicles is shown below.

Class G Nonfreight Trailers/Semitrailers	
<u>Maximum Gross Weight (in pounds)</u>	<u>Number</u>
3,000 or less	176,923
3,001 to 5,000	30,178
5,001 to 10,000	55,125
10,001 to 20,000	11,710
Total	273,936

Class G Farm Trailers/Semitrailers	
<u>Maximum Gross Weight (in pounds)</u>	<u>Number</u>
3,000	211
5,000	147
10,000	574
20,000	268
Total	1,200

Under one set of assumptions from MVA, TTF revenues increase in fiscal 2018 and 2019 as existing and new vehicle owners choose the permanent registration option and then decline significantly in future years, reflecting the loss of a recurring revenue stream. To determine the potential revenue impact, calculations were performed to determine the likelihood that existing trailer owners as well as individuals purchasing and registering trailers in future years would opt for the one-time registration fee. MVA advises that the most significant driver in this decision is the time it would take for trailer owners to recoup the additional up-front fees associated with the one-time permanent registration.

In addition, MVA notes two other factors are important to consider: (1) the approximate average lifespan of the various vehicles that are considered nonfreight or farm trailers in Maryland statute and (2) the average model year of currently registered trailers. Several vehicles are considered nonfreight trailers or semitrailers, including boat trailers, camping trailers, travel trailers, house trailers, and utility trailers.

Determining the average lifespan for trailer vehicles is difficult due to the number of variables involved (*e.g.*, level of preventative maintenance performed, level of trailer use,

location where the trailer is housed, etc.). Nevertheless, MVA assumes that the average lifespan of trailer vehicles is approximately 15 years. MVA also advises that the average model year for currently registered Class G trailers is 2003. Thus, the average Class G trailer registered with MVA is 14 years old. Taking into account break-even levels, approximate average lifespan, and the average age of currently registered trailers, MVA made the following assumptions:

- Model year 2005 and earlier trailer owners likely do not opt for the one-time permanent registration and instead continue on the current biennial fee schedule.
- Model year 2006 and 2007 trailer owners likely split evenly between the current biennial registration and the new permanent registration.
- Model year 2008 through 2011 trailer owners likely split in their choice of registration, with 75% choosing a permanent registration and 25% choosing the current biennial registration.
- Model year 2012 and later trailer owners all choose the permanent registration option.

Exhibit 1 shows how TTF revenues are affected under the bill, relative to expected revenues under current law. By fiscal 2022, the revenue loss is likely more than \$11.5 million due to the compounding effect of biennial registration. Those who choose permanent registration in fiscal 2018 and 2020 would have paid biennial registration fees in fiscal 2022; this revenue loss is offset somewhat that year by the higher permanent fee assumed to be paid by all new registrants.

Exhibit 1
Transportation Trust Fund Revenues under Current Law and the Bill
Fiscal 2018-2022

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Current Law	\$11,102,991	\$14,803,867	\$16,896,709	\$17,594,283	\$21,779,724
Under the Bill	12,912,166	17,216,325	11,911,416	10,507,352	10,234,173
Net Change	\$1,809,175	\$2,412,458	(\$4,985,293)	(\$7,086,931)	(\$11,545,551)

Source: Motor Vehicle Administration; Department of Legislative Services

This estimate assumes that:

- the number of newly titled and registered trailer vehicles remains at fiscal 2016 levels in future years;
- the estimated weight breakdown for newly titled/registered vehicles remains at fiscal 2016 levels in future years;
- individuals with existing biennial trailer registrations who choose the one-time, permanent registration do so when their current registration expires, rather than between registration periods;
- the current biennial fee structure remains unchanged in future years; and
- trailer registrations are not subject to the \$17.00 annual surcharge for the Maryland Emergency Medical System Operations Fund and the Maryland Trauma Physician Services Fund.

Additional Information

Prior Introductions: HB 1627 of 2016 was referred to the House Rules and Executive Nominations Committee, but no further action was taken.

Cross File: None.

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

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