

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1644 (Delegate Corderman, *et al.*)
Environment and Transportation

Vehicle Laws - Registration Fee Exemption - Active Military and Veterans

This bill exempts from vehicle registration fees a vehicle that is owned (and personally used by) a person who (1) is serving in the armed forces of the United States or is a veteran as defined by Maryland law and (2) relocates to and becomes a resident of the State for employment purposes.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease, likely significantly, beginning in FY 2019, as discussed below. TTF expenditures increase by \$72,000 in FY 2019 only for reprogramming. Other special fund revenues also decrease, likely minimally, beginning in FY 2019, as discussed below.

Local Effect: Local highway user revenues distributed through the Gasoline and Motor Vehicle Revenue Account (GMVRA) decrease, likely minimally, beginning in FY 2019, as discussed below. Expenditures are not materially affected.

Small Business Effect: Potential minimal.

Analysis

Current Law/Background: The contribution of the U.S. Armed Forces is recognized through several provisions within the Maryland Vehicle Law. Specifically, Maryland has exemptions from registration fees for veterans with certain disabilities and vehicles owned by national veterans' organizations as well as special registration plates for honorably discharged veterans; recipients of individually earned, combat-related, U.S. Armed Forces medals; and recipients of a U.S. Department of Defense Gold Star indicating status as a

surviving spouse, parent, or next of kin of a member of the U.S. Armed Forces who lost his/her life in combat.

Highway User Revenues

TTF provides local transportation aid through GMVRA. Currently, the revenues dedicated to the account include all or some portion of the motor vehicle fuel tax, vehicle titling tax, vehicle registration fees, short-term vehicle rental tax, and State corporate income tax.

TTF's GMVRA revenue (commonly known as highway user revenue) must be distributed to the Maryland Department of Transportation (MDOT) and local jurisdictions as follows:

- 90.4% to MDOT;
- 7.7% to Baltimore City;
- 1.5% to counties; and
- 0.4% to municipalities.

State Fiscal Effect: The number of individuals who relocate to the State each year and meet the criteria specified by the bill is unknown.

However, *for illustrative purposes only*, if 1,000 vehicle owners qualify for the exemption each year, then TTF revenues decrease by \$107,124 in fiscal 2019 (reflecting the bill's October 1, 2018 effective date and 750 exemptions that year). The revenue loss increases each year, in large part due to the cumulative impact of biennial renewal, and, by fiscal 2023, TTF revenues decrease by \$392,788. Vehicle registrations also include a \$17.00 annual surcharge for the Emergency Medical Services (EMS) program. A portion of that fee – \$2.50 – is reserved for the Maryland Trauma Physician Services Fund. The effect on revenues for those special funds is also shown in **Exhibit 1**.

To the extent that more individuals meet the bill's requirements and obtain the registration exemption, revenues are more significantly affected. For example, if 10,000 individuals annually qualify, then TTF revenues decrease by approximately \$1.1 million in fiscal 2019 (again reflecting the bill's October 1, 2018 effective date and 7,500 exemptions that year) and by \$3.9 million in fiscal 2023. EMS revenues also decrease more significantly. The effect on revenues for this scenario is shown in **Exhibit 2**.

TTF expenditures increase by \$72,000 in fiscal 2019 only for reprogramming changes.

Local Fiscal Effect: As shown in Exhibits 1 and 2, highway user revenues are also affected beginning in fiscal 2019. Local governments receive a percentage of the revenues affected by the bill – in total, about 9.6%.

Exhibit 1
Summary of Fiscal Impact of the Bill on Revenues and Expenditures
Assuming 1,000 Exemptions Annually
Fiscal 2019-2023

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Total Change in Vehicle Registration Revenues	(\$118,500)	(\$158,000)	(\$276,500)	(\$316,000)	(\$434,500)
TTF Revenues (90.4% of total retained by MDOT)	(107,124)	(142,832)	(249,956)	(285,664)	(392,788)
<i>Subtotal, TTF Revenues</i>	(107,124)	(142,832)	(249,956)	(285,664)	(392,788)
TTF Expenditures					
Programming Changes	72,000	-	-	-	-
<i>Subtotal, TTF Expenditures</i>	72,000	-	-	-	-
Net Effect on TTF	(\$179,124)	(\$142,832)	(\$249,956)	(\$285,664)	(\$392,788)
GMVRA Revenues (local highway user revenues)					
Change in Local Revenues (9.6% of total)	(\$11,376)	(\$15,168)	(\$26,544)	(\$30,336)	(\$41,712)
EMS Surcharge Revenues					
Medical Systems Surcharge	(\$21,750)	(\$29,000)	(\$50,750)	(\$58,000)	(\$79,750)
Trauma Physicians Surcharge	(3,750)	(5,000)	(8,750)	(10,000)	(13,750)
Net Effect on EMS Revenues	(\$25,500)	(\$34,000)	(\$59,500)	(\$68,000)	(\$93,500)

TTF: Transportation Trust Fund
MDOT: Maryland Department of Transportation
GMVRA: Gasoline and Motor Vehicle Revenue Account
EMS: Emergency Medical Services

Source: Motor Vehicle Administration; Department of Legislative Services

Exhibit 2
Summary of Fiscal Impact of the Bill on Revenues and Expenditures
Assuming 10,000 Exemptions Annually
Fiscal 2019-2023

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Total Change in Vehicle Registration Revenues	(\$1,185,000)	(\$1,580,000)	(\$2,765,000)	(\$3,160,000)	(\$4,345,000)
TTF Revenues (90.4% of total retained by MDOT)	(1,071,240)	(1,428,320)	(2,499,560)	(2,856,640)	(3,927,880)
<i>Subtotal, TTF Revenues</i>	(1,071,240)	(1,428,320)	(2,499,560)	(2,856,640)	(3,927,880)
TTF Expenditures					
Programming Changes	72,000	-	-	-	-
<i>Subtotal, TTF Expenditures</i>	72,000	-	-	-	-
Net Effect on TTF	(\$1,143,240)	(\$1,428,320)	(\$2,499,560)	(\$2,856,640)	(\$3,927,880)
GMVRA Revenues (local highway user revenues)					
Change in Local Revenues (9.6% of total)	(\$113,760)	(\$151,680)	(\$265,440)	(\$303,360)	(\$417,120)
EMS Surcharge Revenues					
Medical Systems Surcharge	(\$217,500)	(\$290,000)	(\$507,500)	(\$580,000)	(\$797,500)
Trauma Physicians Surcharge	(37,500)	(50,000)	(87,500)	(100,000)	(137,500)
Net Effect on EMS Revenues	(\$255,000)	(\$340,000)	(\$595,000)	(\$680,000)	(\$935,000)

TTF: Transportation Trust Fund

MDOT: Maryland Department of Transportation

GMVRA: Gasoline and Motor Vehicle Revenue Account

EMS: Emergency Medical Services

Source: Motor Vehicle Administration; Department of Legislative Services

Under the bill, local government revenues decrease by varying amounts beginning in fiscal 2019. Under the first scenario, shown in Exhibit 1, highway user revenues decrease by \$11,376 in fiscal 2019 and by \$41,712 in fiscal 2023; under the second scenario, shown in Exhibit 2, highway user revenues decrease by \$113,760 in fiscal 2019 and by \$417,120 in fiscal 2023.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 7, 2018
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Analysis by: Eric F. Pierce

Direct Inquiries to:
(410) 946-5510
(301) 970-5510