

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 3 (Delegate Carr)
 Environment and Transportation

Vehicle Laws - Multiyear Registration

This bill requires the Motor Vehicle Administration (MVA) to phase in a system of multiyear registration that includes options for one- or two-year registration periods. The bill applies to Class A (passenger) and Class D (motorcycle) vehicles and must be phased in over a five-year period on a county-by-county basis. Any method that MVA authorizes for obtaining or renewing a vehicle registration must be made available for the registration periods allowed under the bill. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Special fund revenues decrease by about \$18.8 million in FY 2021, by lesser amounts in FY 2022 and 2023, and again by \$18.8 million in FY 2024. By FY 2025, the impact on special fund revenues is minimal (about \$6,800). Transportation Trust Fund (TTF) expenditures decrease by about \$2.0 million in FY 2021 and \$1.5 million in FY 2024 as less revenue is available for distribution to local jurisdictions.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	(\$18,756,700)	(\$9,664,800)	(\$9,665,900)	(\$18,761,200)	(\$6,800)
SF Expenditure	(\$1,984,300)	(\$805,500)	(\$685,300)	(\$1,542,800)	\$707,400
Net Effect	(\$16,772,400)	(\$8,859,300)	(\$8,980,600)	(\$17,218,400)	(\$714,200)

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

Local Effect: Local highway user revenues distributed through the Gasoline and Motor Vehicle Revenue Account (GMVRA) decrease by approximately \$2.0 million in FY 2021 and by lesser amounts in FY 2022 and 2023. In FY 2024, revenues decrease again by about \$2.0 million before flattening in FY 2025.

Small Business Effect: Minimal.

Analysis

Current Law/Background: MVA is authorized (but not required) to adopt a system of multiyear registration. The fee for a multiyear registration is the annual registration fee multiplied by the number of years for which the registration is issued. MVA must refund the registration fees upon surrender of the registration card and plates if the return is made before the beginning of any 12-month registration year for which the application for refund is made. In addition, MVA is authorized to adopt regulations related to multiyear registrations.

Most classes of vehicles are currently registered for two years, although some less common classes are registered on an annual basis. Registration fees also include a yearly \$17.00 surcharge for the Emergency Medical Services (EMS) system. A small portion of the EMS charge (\$2.50) goes to the Trauma Physician Services Fund.

Registration periods offered in surrounding states vary. For example, Virginia allows vehicles to be registered for one, two, or three years, while Pennsylvania and the District of Columbia offer one- or two-year registration periods. In each of those jurisdictions, MVA notes that a majority of registrants tend to choose a one-year registration period rather than a multiyear registration period.

Transportation Trust Fund

TTF is a nonlapsing special fund that provides funding for transportation. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. The Maryland Department of Transportation (MDOT) issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Maryland Transit Administration, MVA, Maryland Port Administration, and Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures. After meeting debt service requirements, MDOT may use funds in TTF for any lawful purpose related to the exercise of its rights, powers, duties, and obligations.

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.

MDOT must provide a portion of total GMVRA revenues to counties, municipalities, and Baltimore City through capital transportation grants each year. From fiscal 2020 through 2024, amounts equivalent to 13.5% of the revenue allocated to GMVRA must be provided to local governments through capital transportation grants as follows: Baltimore City (8.3%); counties (3.2%); and municipalities (2.0%).

Beginning in fiscal 2025, amounts equivalent to 9.6% of the revenue allocated to GMVRA must be provided to local governments through capital transportation grants as follows: Baltimore City (7.7%); counties (1.5%); and municipalities (0.4%); this distribution is equivalent to the GMVRA distribution to localities prior to fiscal 2020. The capital grants may only be appropriated if all debt service requirements and MDOT operating expenses have been funded and sufficient funds are available to fund the capital program.

State Revenues: The bill requires the multiyear registration scheme to be phased in over a five-year period beginning in fiscal 2021. Based on data from Virginia, MVA advises that it expects about two-thirds of vehicle registrants to choose a one-year registration period, with the remaining one-third of registrants selecting a two-year registration period.

Accordingly, as shown in **Exhibit 1**, special fund revenues decrease during the phase-in period, with the impact nearly mitigated by fiscal 2025, the final year of the phase in. The estimate is based on the following information and assumptions.

- MVA advises that there are currently 1,020,213 two-year Class A (passenger) and 46,888 Class D (motorcycle) transactions per year, with half due for renewal in fiscal 2020 and the other half due in fiscal 2021.
- MVA further advises that there are 51,011 *existing* one-year Class A (passenger) vehicle transactions each year; these transactions are assumed to continue as one-year registrations.
- For purposes of this analysis, the number of total vehicles to be registered is assumed to remain constant through the implementation period.
- To meet the required five-year phase-in, one-third of the two-year registrants due for renewal in fiscal 2021 are allowed to choose either a one- or two-year registration, with an additional one-third allowed to do so in fiscal 2023 and the remainder allowed to do so in fiscal 2025.
- Again, to meet the required five-year phase-in, one-half of the two-year registrants due for renewal in fiscal 2022 are allowed to choose either a one- or two-year registration, with the other half allowed to do so in fiscal 2024.
- Thus, by fiscal 2025, all vehicle owners will have had an opportunity to choose either a one-year or two-year registration period and the distribution of transactions will reflect two-thirds selecting one-year registrations and the other one-third selecting two-year registrations.

Exhibit 1
Summary of Fiscal Impact of the Bill on Revenues and Expenditures
Fiscal 2021-2025

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Transportation Trust Fund					
TTF Registration Fee Revenues	(\$14,937,488)	(\$7,697,316)	(\$7,698,473)	(\$14,942,049)	(\$6,808)
TTF Expenditures					
GMVRA Distribution to Local Jurisdictions	(2,016,561)	(1,039,138)	(1,039,294)	(2,017,177)	(654)
Variable Expenditures	--	233,644	354,006	474,368	708,012
Programming Changes	32,250	--	--	--	--
Subtotal, TTF Expenditures	(1,984,311)	(805,494)	(685,288)	(1,542,809)	707,358
Net Effect on TTF	(\$16,921,799)	(\$8,502,810)	(\$8,383,762)	(\$16,484,858)	\$700,550
GMVRA Revenues (Local Highway User Revenues)					
Local Revenues	(\$2,016,561)	(\$1,039,138)	(\$1,039,294)	(\$2,017,177)	(\$654)
Surcharge Revenues					
Medical Systems Surcharge	(\$3,257,534)	(\$1,678,123)	(\$1,678,123)	(\$3,257,534)	--
Trauma Physicians Surcharge	(561,644)	(289,332)	(289,332)	(561,644)	--
Net Effect on Surcharge Revenues	(\$3,819,177)	(\$1,967,455)	(\$1,967,455)	(\$3,819,177)	--

TTF: Transportation Trust Fund

GMVRA: Gasoline and Motor Vehicle Revenue Account

Source: Department of Legislative Services; Motor Vehicle Administration

- All Class A (passenger) and Class D (motorcycle) registrants pay a \$17.00 annual surcharge for the Maryland Emergency Medical System Operations Fund (for EMS purposes), with \$2.50 of that fee reserved for the Maryland Trauma Physician Services Fund.
- Any further impact due to transitioning to multiyear registration on a *county-by-county basis* is not accounted for in this analysis.

State Expenditures: In fiscal 2021 only, MVA advises that reprogramming changes totaling \$32,250 are needed in order to update systems to accommodate the registration periods required by the bill. Because the bill also requires the multiyear registration scheme to phase in beginning the same year (fiscal 2021), this analysis assumes that MVA implements the required programming changes as expeditiously as possible after the bill's July 1, 2020 effective date.

Beginning in fiscal 2022, the number of registration transactions is anticipated to begin increasing, resulting in more required mailings (*e.g.*, registration renewal notices, registration cards, stickers, etc.). The resulting increase in TTF expenditures is tied to the number of additional transactions (*i.e.*, more annual registrations relative to current law). In fiscal 2022, the increase in TTF expenditures totals about \$233,600; by fiscal 2025, the increase totals about \$708,000.

Impact on Refund Expenditures

Once the bill is fully phased in, the number of one-year registrations is likely to far exceed the number of two-year registrations. As such, the majority of registrants are no longer eligible for a refund under the bill because refunds are only issued in the event that more than one year remains on the registration. MVA reported in fiscal 2018 that refunds totaled about \$14.0 million in fiscal 2017. MVA also noted for a similar bill in 2018 that it anticipated about a 50% reduction in plate returns under a fully phased-in multiyear registration scheme (*i.e.*, about a \$7.0 million decrease in refund expenditures). However, because the bill phases in over five years, the impact of refund expenditure decreases is expected to be minimal over the first several years of implementation. The decrease in refund expenditures may offset the increase in transaction-related expenditures under the bill. By fiscal 2025 – once the bill is fully phased in – the reduction in refunds is likely to more significantly affect TTF expenditures (*i.e.*, with as much as a \$7.0 million decrease in expenditures). This is a secondary impact of the bill and is not factored into this cost estimate.

Impact on Capital Transportation Grant Expenditures

As previously noted, MDOT must provide a portion of GMVRA revenues through capital transportation grants beginning in fiscal 2020. In fiscal 2021, capital transportation grant

expenditures for local jurisdictions decrease by about \$2.0 million. In fiscal 2022 and 2023, grant expenditures decrease by about \$1.0 million, while in fiscal 2024 expenditures again decrease by about \$2.0 million. By fiscal 2025, the bill's effect on capital transportation grants is expected to be negligible.

Local Fiscal Effect: As shown in Exhibit 1, the reduced capital grants result in commensurate decreases in local highway user revenues. Although the fiscal impact under the bill for individual jurisdictions is not anticipated to be significant on an annual basis, some localities may need to make reductions in capital expenditures. By fiscal 2025, the final phase-in year, the reduction in capital grants is expected to be less than \$1,000, which reflects the phase-in revenues and is consistent with the change to the distribution allocation in current law.

Additional Information

Prior Introductions: A similar bill, HB 73 of 2018, received a hearing in the House Environment and Transportation 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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