

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 613 (Delegate Carr, *et al.*)
 Environment and Transportation

Vehicle Laws - Fines and Fees - Possession, Display, or Renewal of Registration

This bill sets at \$10 the fine for (1) failure to carry a registration card within a vehicle and (2) failure to display a registration card upon demand by a police officer. However, the bill also authorizes the court to waive any such fine. The bill further authorizes the Motor Vehicle Administration (MVA) to charge a late fee of up to \$25 for the renewal of a vehicle registration that occurs more than one week after the registration has expired. MVA must pay 50% of those fees to the general fund. **The bill takes effect October 1, 2021.**

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by \$3.4 million in FY 2022 and \$4.6 million annually thereafter. TTF expenditures increase by \$2.0 million in FY 2022 and \$2.6 million annually thereafter for required distributions. As discussed below, the net impact on general fund revenues is likely positive beginning in FY 2022.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	-	-	-	-	-
SF Revenue	\$3,428,000	\$4,570,700	\$4,570,700	\$4,570,700	\$4,570,700
SF Expenditure	\$1,987,100	\$2,593,800	\$2,593,800	\$2,504,700	\$2,504,700
Net Effect	-	-	-	-	-

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) increase by approximately \$231,400 in FY 2022 and by \$219,400 beginning in 2025. Expenditures are assumed to increase correspondingly.

Small Business Effect: None.

Analysis

Current Law:

Registration Card – Duty to Carry and Display

An individual who is driving or in control of a vehicle must carry a registration card in the vehicle to which the registration card refers. Upon demand by a police officer, the individual must display a registration card that refers to the vehicle. A violation of either of these provisions is a misdemeanor, subject to a maximum fine of \$500. The prepayment penalty established by the District Court is \$50.

An individual may satisfy either of these requirements by carrying in the vehicle (and making available) a valid rental agreement in place of a registration card in the case of a rental vehicle that is (1) rented under the provisions of Title 18 of the Transportation Article or (2) rented or leased for a period of up to 180 days and registered in another state.

These requirements do not apply if the registration card is being used to apply for the transfer of registration of the vehicle.

Late Renewal of a Registration

Currently, a vehicle owner may renew a registration that is more than one week overdue – but less than 11 months overdue – at a kiosk or over the Internet. If the registration is overdue by 11 months or more, the owner can only renew the registration in person at an MVA branch. There is no late fee or other penalty associated with renewing a registration past the renewal date.

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.

Background: According to the Judiciary, there were 1,081 total violations issued for failure to carry a registration card within a vehicle in fiscal 2019. Of that total, 215 individuals chose to prepay the fine, while 778 contested the citation and requested a trial. Of the contested cases, 169 resulted in guilty dispositions. Also in fiscal 2019, there were 42,441 violations issued for failure to display a registration card upon demand by a police officer. Of those individuals, 16,587 prepaid the fine, while 22,809 contested the citation and requested a trial. Of the contested cases, 8,289 resulted in guilty dispositions.

State/Local Fiscal Effect: Exhibit 1 shows the overall *quantifiable* impact of the bill on the State and local governments; the impact of the lower fine on general fund revenues cannot be reliably quantified.

Late Registration Fee

MVA advises that approximately 182,800 registrants annually are expected to be affected by the bill's late fee provisions. This figure is based on an average of late registrations over the past four years. Assuming MVA charges the full \$25 late fee authorized by the bill – and taking into account the bill's delayed effective date of October 1, 2021 – TTF revenues increase by approximately \$3.4 million in fiscal 2022. In subsequent years, TTF revenues are expected to increase by about \$4.6 million annually. This estimate assumes the number of individuals who register late each year remains at a constant level, and that the late fee has a minimal deterrent effect. To the extent the fee encourages greater compliance with registration renewal deadlines, revenues increase less significantly.

Exhibit 1
Summary of Fiscal Impact of the Bill on State and Local Revenues and Expenditures
Fiscal 2022-2026

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Transportation Trust Fund Revenues					
Late Registration Fee	\$3,427,988	\$4,570,650	\$4,570,650	\$4,570,650	\$4,570,650
Transportation Trust Fund Expenditures					
Distribution to the General Fund	1,713,994	2,285,325	2,285,325	2,285,325	2,285,325
GMVRA Distribution to Local Jurisdictions	231,389	308,519	308,519	219,391	219,391
Programming Changes	41,700				
Net Effect on TTF	1,440,905	1,976,806	1,976,806	2,065,934	2,065,934
General Fund Revenues					
Late Registration Fee	1,713,994	2,285,325	2,285,325	2,285,325	2,285,325
Lower Fine	(-)	(-)	(-)	(-)	(-)
Net Effect on the General Fund	-	-	-	-	-
Local GMVRA (Highway User) Revenues	231,389	308,519	308,519	219,391	219,391

GMVRA: Gasoline and Motor Vehicle Revenue Account

TTF: Transportation Trust Fund

Note: The GMVRA distribution is assumed to be made from the amount remaining after the general fund distribution required by the bill.

Source: Motor Vehicle Administration; Department of Legislative Services

TTF expenditures increase to make the required distributions from the late registration fee – 50% must be credited to the general fund and, from the portion remaining, the normal share goes to GMVRA for distribution to local jurisdictions (depending on the year, this amount totals between \$219,400 and \$308,500). In fiscal 2022, \$1.7 million is expected to be credited to the general fund; in subsequent years, the amount credited to the general fund is expected to total about \$2.3 million. In addition, TTF expenditures increase by approximately \$41,700 in fiscal 2022 only for MVA to contract with an outside vendor to make the necessary reprogramming changes to implement the bill.

Impact of the Lower Fine

As noted above, 16,802 individuals prepaid citations issued for the violations addressed by the bill in fiscal 2019. The prepayable amount is \$50. Thus, in fiscal 2019, \$840,100 was received from prepaid fines. Also in fiscal 2019, 8,458 individuals were found guilty after electing to stand trial. The Judiciary does not track the penalty amounts imposed on individuals found guilty of these violations after a trial; as a result, the exact amount of revenues paid into the general fund for those violations cannot be determined.

Under the bill, any person who violates either of the provisions affected by the bill is subject to a \$10 fine. Because of the significant reduction in the maximum fine amounts, it is assumed that many fewer individuals opt for a trial under the bill. Moreover, because the bill authorizes the court to waive the \$10 fine, even individuals who contest a citation and are subsequently found guilty may still not be subject to a fine.

In fiscal 2022, general fund revenues are expected to decrease by at least \$504,060, assuming the level of violations and prepayments is the same as in fiscal 2019 and that the fine amount is reduced from \$50 to \$10. This estimate also reflects the bill's delayed effective date of October 1, 2021. In subsequent years, general fund revenues decrease by at least \$672,080. General fund revenues further decrease from the likely reduction in revenues received as a result of fines assessed after a guilty finding at trial and the waiver provision in the bill. That additional impact cannot be quantified due to lack of data on the current amount of penalties that are collected after a trial.

Net Impact on the General Fund

Beginning in fiscal 2022, the general fund is affected by both the lower fine (for a reduction in revenues of at least \$672,080 on an annualized basis) and the required distribution from the new late registration fee (for an increase in revenues of approximately \$2.3 million on an annualized basis). The influx in late fee revenues is expected to offset the revenue loss from the lower fine, which cannot be fully quantified (as discussed above). Therefore, the net impact is likely an increase in general fund revenues.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of State Police; Maryland Department of Transportation; Department of Legislative Services

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