

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 28 (Delegate R. Lewis)
Environment and Transportation

Passenger, Truck, and Multipurpose Vehicles - Annual Registration Fees
(Pedestrian Fatality Prevention Act of 2024)

This bill increases the annual registration fees for certain Class A (passenger), Class E (truck), and Class M (multipurpose) vehicles, based on revised vehicle weight classifications.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by as much as \$201.2 million in FY 2025 and \$268.2 million annually thereafter. In FY 2025, TTF expenditures increase by \$40.5 million (about \$50,000 for one-time reprogramming costs, as much as \$4.2 million for additional credit card processing fees, and as much as \$36.2 million for capital transportation grants to local governments); out-years reflect annualization and statutory changes to the formula to calculate the grants. This estimate does not include potential revenues and expenditures should the Maryland Department of Transportation (MDOT) issue additional transportation bonds, as discussed below.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$201.2	\$268.2	\$268.2	\$268.2	\$268.2
SF Expenditure	\$40.5	\$59.3	\$59.3	\$59.3	\$59.3
Net Effect	\$160.7	\$208.9	\$208.9	\$208.9	\$208.9

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

Local Effect: In aggregate, local government revenues increase by as much as \$36.2 million in FY 2025 for capital transportation grants; future years reflect annualization and statutory changes to the formula used to calculate the grants. Local government expenditures are assumed to increase correspondingly for capital projects.

Small Business Effect: Meaningful.

Analysis

Bill Summary/Current Law: Exhibit 1 shows the applicable fees under current law for the vehicle classes affected by the bill; Exhibit 2 shows the proposed fees under the bill.

Exhibit 1 Annual Vehicle Registration Fees by Class and Weight Under Current Law

<u>Vehicle Class</u>	<u>Weight Range (lbs.)</u>	<u>Annual Fee</u>
Class A (passenger) and Class M (multipurpose)	≤ 3,700	\$50.50
Class A (passenger) and Class M (multipurpose)	> 3,700	\$76.50
Class E (truck, three-fourths ton capacity or less)	≤ 7,000	\$63.75

Source: Department of Legislative Services

Exhibit 2 Annual Vehicle Registration Fees by Class and Weight Under the Bill

<u>Vehicle Class</u>	<u>Weight Range (lbs.)</u>	<u>Annual Fee</u>
Class A (passenger) and Class M (multipurpose)	≤ 3,500	\$50.50
Class A (passenger) and Class M (multipurpose)	3,501-3,700	\$101.00
Class A (passenger) and Class M (multipurpose)	3,701-5,000	\$153.00
Class A (passenger) and Class M (multipurpose)	> 5,000	\$229.50
Class E (truck, three-fourths ton capacity or less)*	≤ 3,500	\$63.75
Class E (truck, three-fourths ton capacity or less)	3,501-5,000	\$127.50
Class E (truck, three-fourths ton capacity or less)	5,001-7,000	\$191.25

* For a vehicle for which the owner certifies on the registration application that the vehicle will be used for construction activities, the annual fee is \$63.75 (regardless of the vehicle's maximum gross vehicle weight).

Source: Department of Legislative Services

Certain vehicles, including those owned by governments, are exempt from payment of registration fees. The bill does not affect these exemptions.

Highway User Revenues

TTF provides local transportation aid through the Gasoline and Motor Vehicle Revenue Account (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.

Chapters 330 and 331 of 2018 altered the manner in which GMVRA revenues are shared with local governments (beginning in fiscal 2020). Instead of directly sharing the revenue with local governments, the Acts require 100% of the funds in the GMVRA to be retained by TTF and distributed to local governments through capital transportation grants. This change allows MDOT to issue bonds backed by GMVRA revenues that are ultimately issued to local governments; MDOT was unable to do so prior to the enactment of Chapters 330 and 331. As established by Chapter 240 of 2022, the amount of MDOT’s capital transportation grants to local governments from the GMVRA must be based on the percentages shown below in **Exhibit 3**.

Exhibit 3
Local Share of Highway User Revenues
Fiscal 2025-2029

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
MDOT	82.0%	80.0%	80.0%	84.4%	84.4%
Baltimore City	11.0%	12.2%	12.2%	9.5%	9.5%
Counties	4.3%	4.8%	4.8%	3.7%	3.7%
Municipalities	2.7%	3.0%	3.0%	2.4%	2.4%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

State Fiscal Effect: In total, as shown in **Exhibit 4**, the Motor Vehicle Administration (MVA) estimates that registration fee revenues for the affected vehicle classes increase by approximately \$201.2 million in fiscal 2025 (reflecting the bill’s October 1, 2024 effective date) and by approximately \$268.2 million in subsequent years. This estimate assumes that the number of registrations in each class remains constant over the forecast period. Additionally, based on the MVA estimate and as shown in Exhibit 4, TTF expenditures increase by \$36.2 million in fiscal 2025, \$53.6 million in fiscal 2026 and 2027, and

\$41.8 million in fiscal 2028 and 2029 (and annually thereafter) as MDOT provides capital transportation grants to local governments from the GMVRA. TTF expenditures further increase in fiscal 2025, by approximately \$50,000, for necessary one-time reprogramming and annually for additional credit card processing fees charged, commensurate with the increase in fee revenues paid by owners who use credit cards for their transactions. The Department of Legislative Services (DLS) advises that, if approximately 70% of transactions are subject to the credit card processing fee and the average fee paid is 3%, TTF expenditures increase by approximately \$4.2 million in fiscal 2025 and \$5.6 million annually thereafter to pay those credit card processing fees.

Exhibit 4
Increase in Registration Fee Revenues under the Bill and
Capital Transportation Grants to Local Governments
Fiscal 2025-2029

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
MDOT*	\$164,951,813	\$214,571,464	\$214,571,464	\$226,372,895	\$226,372,895
Baltimore City	22,127,682	32,722,148	32,722,148	25,480,361	25,480,361
Counties	8,649,912	12,874,288	12,874,288	9,923,930	9,923,930
Municipalities	5,431,340	8,046,430	8,046,430	6,437,144	6,437,144
Subtotal for Locals	\$36,208,934	\$53,642,866	\$53,642,866	\$41,841,435	\$41,841,435
Total	\$201,160,747	\$268,214,330	\$268,214,330	\$268,214,330	\$268,214,330

MDOT: Maryland Department of Transportation

*Reflects fee revenues retained by the Transportation Trust Fund after capital transportation grants are provided to local governments through the Gasoline and Motor Vehicle Revenue Account.

Note: Based on estimate provided by the Motor Vehicle Administration, which may overstate revenues.

Source: Maryland Department of Transportation; Department of Legislative Services

However, DLS also advises that the MVA estimate may not be realized for two reasons. First, the number of annual registrations on which the estimate is based includes vehicles that are exempt from payment of the registration fee due to their ownership. Accordingly, the estimate overstates, likely by a relatively minimal amount, total revenue collections, grants paid to local governments, and credit card processing fees paid by TTF. Second, the bill includes a provision authorizing Class E (truck) owners to certify on a registration application that the vehicle will be used for construction activities; in such cases, the registration fee is set at the lowest amount for that class (\$63.75). As the bill does not

explicitly define “construction activities,” it is unclear how many vehicles that would otherwise fall into heavier weight categories might qualify for a lower fee under this provision. Depending on how many vehicles seek to qualify for the lower fee, revenues may increase much less significantly. *For illustrative purposes only*, the estimated total revenues noted above decrease by \$6.8 million if 10% of Class E (truck) vehicles that would otherwise fall into the heavier categories instead pay the lower \$63.75 annual registration fee; should 30% of such vehicles qualify as construction vehicles, revenues are about \$20.3 million less than those shown in Exhibit 4. As above, lower fee revenues result in lower amounts paid as capital transportation grants to local governments as well as lower credit card processing fees absorbed by MDOT.

Regardless, the additional TTF revenues may allow MDOT to issue additional transportation bonds for its capital program beginning as early as fiscal 2025. To the extent that MDOT chooses to do so, TTF revenues increase, potentially significantly. Once MDOT issues the additional bonds, TTF expenditures increase to pay the additional debt service. However, any such impact is not included in this analysis.

Local Fiscal Effect: As shown in Exhibit 4, in aggregate, local revenues increase by as much as \$36.2 million in fiscal 2025, \$53.6 million in fiscal 2026 and 2027, and \$41.8 million in fiscal 2028 and 2029 (and annually thereafter) as MDOT provides capital transportation grants to local governments from the GMVRA. Local expenditures are generally assumed to increase commensurately for local capital improvement projects.

Small Business Effect: Any small businesses that own and operate vehicle fleets are likely impacted by the bill, depending on the number of vehicles owned and the type of vehicles.

Additional Information

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

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 1, 2024
rh/ljm

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