

**Department of Legislative Services**  
 Maryland General Assembly  
 2024 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1038 (Delegate Stein)  
 Environment and Transportation

**Motor Vehicles - Emergency Medical Services - Registration Surcharge**

This bill increases the annual surcharge on vehicle registration fees that supports emergency medical services (EMS) in the State by \$4.25 (from \$17.00 to \$21.25). **The bill takes effect July 1, 2024.**

**Fiscal Summary**

**State Effect:** Special fund revenues for the Maryland Emergency Medical System Operations Fund (MEMSOF) increase by approximately \$19.4 million annually beginning in FY 2025 due to the higher surcharge. The Motor Vehicle Administration (MVA) can handle reprogramming changes with existing resources, but Transportation Trust Fund (TTF) expenditures increase for credit card processing fees, likely by a few hundred thousand dollars annually; this impact is not quantified below.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$19.4	\$19.4	\$19.4	\$19.4	\$19.4
SF Expenditure	-	-	-	-	-
Net Effect	\$19.4	\$19.4	\$19.4	\$19.4	\$19.4

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

**Local Effect:** None.

**Small Business Effect:** None.

**Analysis**

**Current Law:** Funding for Maryland’s EMS system is provided from a variety of State, local, and volunteer sources. Annual State budget support for EMS is provided from

MEMSOF. The source of revenue for MEMSOF is \$14.50 of the \$17.00 annual surcharge on motor vehicle registrations for certain classes of vehicles, as specified in § 13-954 of the Transportation Article. (The other \$2.50 is directed to the Maryland Trauma Physician Services Fund.) As most vehicles renew their registration biennially, the surcharge is likewise generally paid biennially, with \$29.00 specifically for MEMSOF. Funding from a \$7.50 moving violation surcharge has also been credited to MEMSOF since fiscal 2014. Interest earned annually on the fund balance is credited to the fund.

MEMSOF may be used solely for (1) the Maryland State Police, Aviation Division; (2) the Maryland Institute for Emergency Medical Services Systems (MIEMSS); (3) The R Adams Cowley Shock Trauma Center; (4) the Maryland Fire and Rescue Institute; (5) local grants under the Senator William H. Amoss Fire, Rescue, and Ambulance Fund; and (6) the Volunteer Company Assistance Fund.

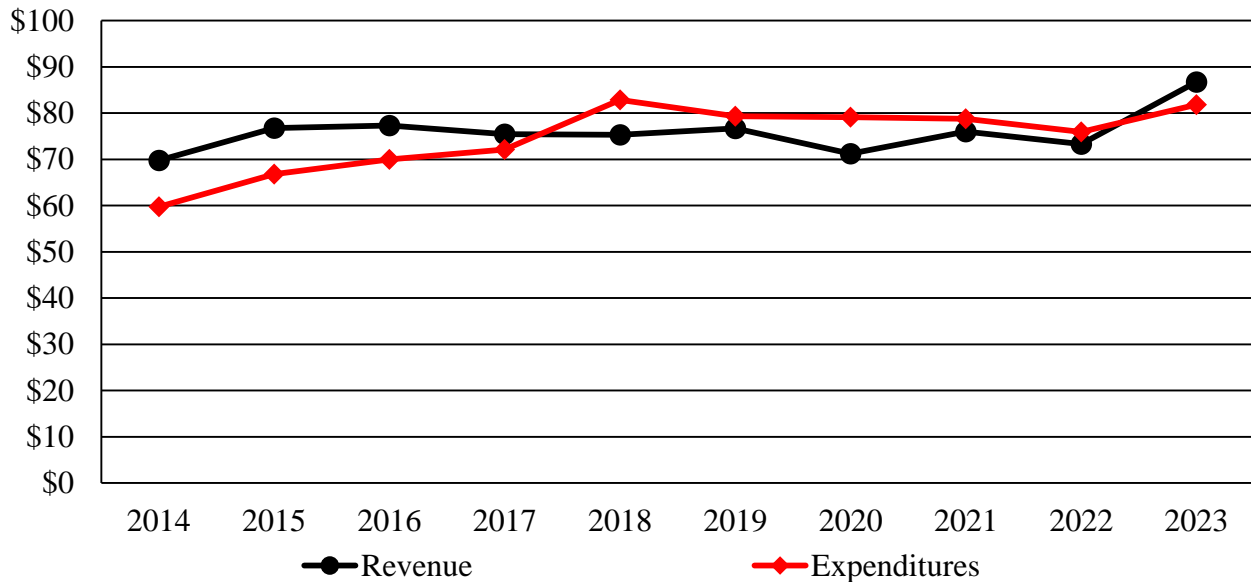
**State Fiscal Effect:** MVA advises that approximately 4.6 million vehicles are subject to the MEMSOF surcharge. Under the bill, the annual surcharge increases by \$4.25 (from \$17.00 to \$21.25), with the total increase accruing to MEMSOF. Thus, assuming the number of registrations subject to the MEMSOF surcharge remains constant, special fund revenues increase by approximately \$19.4 million annually beginning in fiscal 2025.

The Department of Legislative Services (DLS) advises that, given the higher surcharge paid with each registration, TTF expenditures increase due to fees associated with credit card processing. *For illustrative purposes*, if *all* transactions were subject to a 3% fee, TTF expenditures would increase by approximately \$581,000. This fee is not passed on to the fund receiving the surcharge revenues (in this case MEMSOF) but is covered by TTF.

As illustrated below, the infusion of \$19.4 million in additional surcharge revenues annually, beginning in fiscal 2025, significantly improves the financial condition of MEMSOF and likely mitigates solvency concerns, at least in the near term.

**Exhibit 1** shows MEMSOF revenues and expenditures from fiscal 2014 through 2023, as discussed in the DLS budget analysis for MEMSOF. Under Chapter 429 of 2013 (the Transportation Infrastructure Investment Act), beginning in June 2013, the amount of the annual registration fee surcharge was increased by \$3.50 to its current level, with all of that increase accruing to MEMSOF. This action resulted in \$10.0 million surpluses in fiscal 2014 and 2015, with smaller annual surpluses in fiscal 2016 and 2017. Between fiscal 2022 and 2023, revenues increased by 18.4% in response to a \$700,420 (1.0%) increase in registration fee surcharge revenues *collected* and a \$10.0 million general fund cash infusion. (In fiscal 2022 and 2023, the Department of Budget and Management also transferred \$0.9 million and \$3.5 million in general funds to MEMSOF for salary enhancements.) Another \$25.5 million in general fund support has been provided in fiscal 2024.

**Exhibit 1**  
**MEMSOF Actual Revenues versus Expenditures**  
**Fiscal 2014-2023**  
**(\$ in Millions)**



MEMSOF: Maryland Emergency Medical System Operations Fund

Note: MEMSOF expenditures were reduced in both fiscal 2022 and 2023 by Supplemental Budget No. 1 of 2022 and Supplemental Budget No. 2 of 2023. Helicopter maintenance in the Maryland State Police Aviation Command budget was instead provided with general funds. Had MEMSOF supplied these funds, expenditures would have been \$79.3 million in fiscal 2022 and \$87.3 million in fiscal 2023.

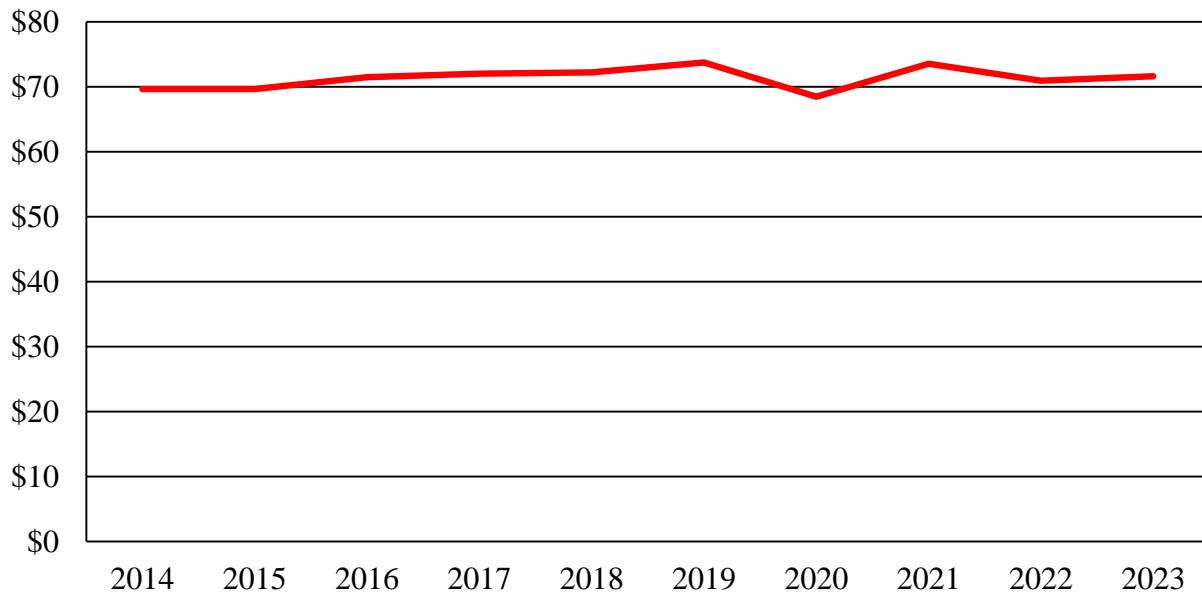
Source: Department of Legislative Services

Chapter 429 also established legislative intent that the additional surcharge revenues be used to enhance *both* the long-term viability of MEMSOF *and* the funding provided to the user agencies of MEMSOF, as specified. Accordingly, expenditures have also risen since fiscal 2014, though they only began to outpace revenues in fiscal 2018. In that year, MEMSOF saw its first annual net operating deficit since fiscal 2013, largely driven by Maryland State Police Aviation Command operating expenditures and a MIEMSS communication system upgrade. Annual deficits continued through fiscal 2022. However, estimated revenue collections have improved compared to fiscal 2020 because the MVA registration fee surcharge could not be collected during spring 2020 due to the closure of MVA facilities during that phase of the pandemic. As shown in **Exhibit 2**, this resulted in fee surcharge revenues declining to \$68.5 million in fiscal 2020, which was \$5.3 million

below the peak of \$73.8 million in fiscal 2019. The fee surcharge revenue has averaged \$71.2 million since its peak. Traditional revenue streams for the fund are not expected to return to or surpass their pre-pandemic levels in fiscal 2024. Despite this, the fund will have a positive ending balance of approximately \$24.3 million in fiscal 2024, due to the general fund support in fiscal 2023 and 2024 noted above.

---

**Exhibit 2**  
**COVID-19 Recovery and**  
**Motor Vehicle Administration Registration Fee Surcharge Revenues**  
**Fiscal 2014-2023**  
**(\$ in Millions)**



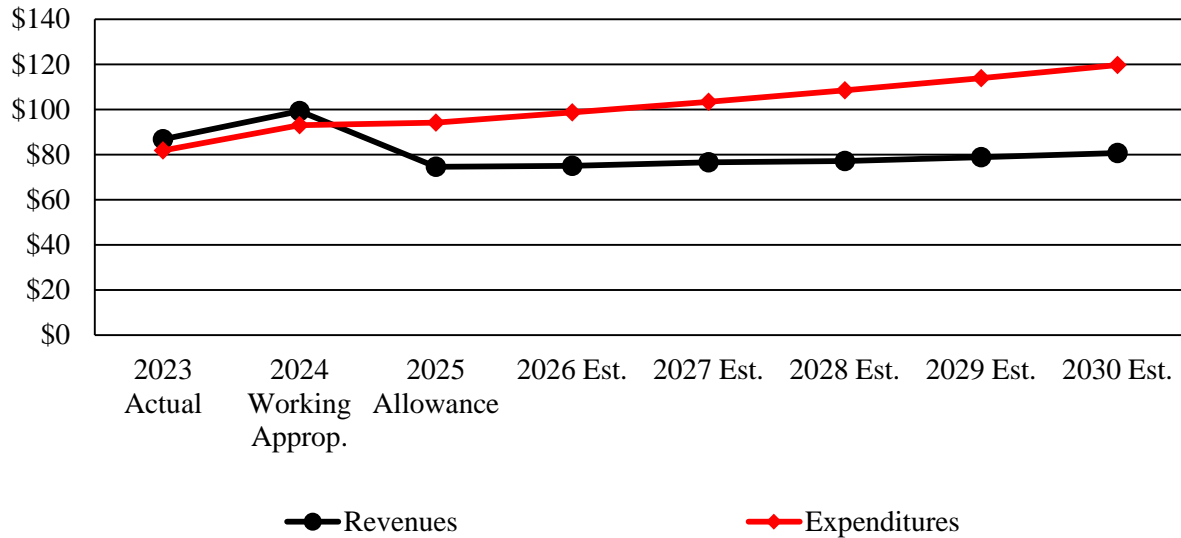
Note: Reflects only surcharge revenues accruing to the Maryland Emergency Medical System Operating Fund.

Source: Department of Legislative Services

---

DLS forecast projects that MEMSOF will remain solvent through fiscal 2025 with an estimated closing balance of \$4.0 million. Temporarily reduced MEMSOF expenditures in fiscal 2022 and 2023, combined with the influx of \$35.5 million in general fund support in fiscal 2023 and 2024, extended the fund's solvency. However, the fund's expenditures exceed its revenues in fiscal 2025 and beyond, as shown in **Exhibit 3**.

**Exhibit 3**  
**MEMSOF Estimated Revenues versus Expenditures under Current Law**  
**Fiscal 2023-2030**  
**(\$ in Millions)**



MEMSOF: Maryland Emergency Medical System Operations Fund

Source: Department of Legislative Services

DLS forecasts that the fund will become insolvent in fiscal 2026 and require approximately \$18.8 million in additional general fund support to keep pace with rising costs. Absent that level of support, the spending gap is expected to grow to \$38.9 million by fiscal 2030. However, slight changes in the projection and additional expenditures from MEMSOF for centrally budgeted salary enhancements in fiscal 2024 and 2025 could move the date of insolvency to fiscal 2025. While there were significant resources available in the general fund in recent years to subsidize the special fund, cash infusions are likely less viable in fiscal 2025 and the out-years as general fund deficits are forecast for fiscal 2026 and beyond.

## **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Maryland Institute for Emergency Medical Services Systems; Department of Budget and Management; Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2024  
rh/ljm

---

Analysis by: Eric F. Pierce

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