HB 252

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 252 (Delegate Minnick)
Commerce and Government Matters

Vehicle Laws - Surrender of Vehicle Registrations - Prorated Refunds

This bill requires the Motor Vehicle Administration (MVA) to refund a prorated portion of the vehicle registration fees when an owner surrenders the registration card and plates. The refund will be one-twelfth of the annual fee for each full month remaining in the registration period. Currently, the MVA must only refund the registration fee if the registration card and plates are returned before a 12-month registration period. The current refund can be no more than the fee for one year, $35. If a request for a refund is submitted for a registration that is suspended, MVA may not process the request until the suspension is withdrawn.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would decrease $7.8 million in FY 1999 accounting for the October 1 effective date. Out-year revenues reflect annualization and a constant number of canceled registrations. TTF expenditures would increase by $112,940 in FY 1999 accounting for the October 1 effective date. Future years reflect annualization and inflation. TTF's ability to issue debt would be reduced by $30 million in FY 1999 and $10 million in FY 2000, which would reduce debt service expenditures by $1 million in FY 1999, increasing to $2 million in FY 2002.

($ in thousands)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	($7,784)	($10,379)	($10,379)	($10,379)	($10,379)
SF Bond Revenues	(30,000)	(10,000)	0	0	0
Debt Service Exp.	(1,000)	(1,000)	(1,000)	(2,000)	(2,000)
SF Expenditures	113	131	136	141	146
Net Effect	($36,897)	($19,510)	($9,515)	($8,520)	($8,525)

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

Local Effect: Local revenues would decrease by $2.3 million in FY 1999. Out-year revenue losses would be $3.1 million per year reflecting annualization.

Small Business Effect: None.

Fiscal Analysis

State Effect: In fiscal 1997, there were 646,944 canceled vehicle registrations. Of these, 160,693 were eligible for and received a 12-month refund of $35, totaling $5,624,255. Under the provisions of the bill, the additional 486,251 canceled registrations may have been eligible for a prorated refund. Additionally, those who were issued a 12-month refund may have been eligible for a refund for those months over one year remaining on their registration. It is estimated that the MVA would be required to refund a total of approximately $16 million per year. This represents $5.6 million currently refunded plus an additional $10.4 for the prorated refunds. This estimate assumes a constant number of cancellations, an even distribution of cancellations throughout the year, and a 100% participation rate.

It is estimated that the MVA will require five Customer Service Representatives to process additional refunds. TTF expenditures would increase by an estimated $112,940 in fiscal 1999, which accounts for the bill's October 1, 1998 effective date. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- 10 MVA employees currently process about 161,000 registration refunds annually;
- 486,000 additional registrations may require prorated refunds each year; and
- a portion of the additional workload can be handled with existing personnel.

Salaries and Fringe Benefits	$91,265
Operating Expenses	21,675
Total FY 1999 State Expenditures	**$112,940**

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The bill would also affect the Maryland Department of Transportation's (MDOT) ability to issue debt. MDOT leverages revenues dedicated to the TTF by issuing 15-year Consolidated Transportation Bonds. Debt service is payable solely from the trust fund. The issuance of debt is limited by a cap on the maximum debt outstanding and certain debt service coverage tests. If annual operating revenues are decreased as outlined under the legislation, the impact on net revenues would cause coverage to fall below the limits set forth in the agency's six-year forecast. A reduction of approximately $30 million in projected average annual bond revenue would result over the fiscal 1999-2003 program period.

However, debt service expenditures would also decrease by about $7 million over the fiscal 1999-2003 period. Because the term of the bonds is 15 years, the reduction in debt service expenditures would continue to increase for an additional 10 years beyond 2003 and, at some point, would exceed the additional proceeds of the new debt issued. This is because, at current interest rates, total debt service payments are approximately 150% of the bond indebtedness over the life of the bond.

The MVA advises that computer programming expenditures could increase by an estimated $40,000 to modify the computer programs as proposed in this legislation. The Department of Legislative Services (DLS) advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the MVA system. Further, DLS advises that the increased computer expenditure is simply an estimate and the MVA may be able to handle the changes with either less money than it estimates or existing resources.

Local Revenues: Revenues for registration fees are collected by the MVA and deposited into the Gasoline and Motor Vehicle Revenue Account (Highway User Revenues). These revenues are distributed in the following manner: 70% to TTF; 15% to Baltimore City; and 15% to the counties. The local jurisdictions use these revenues for a variety of transportation related projects. A reduction in registration collections as provided for in the bill will significantly reduce the money available to local governments. It is estimated that the counties and Baltimore City will lose approximately $2.3 million in fiscal 1999 and $3.1 million in each year thereafter.

Information Source(s): Department of Transportation (Motor Vehicle Administration), Department of Legislative Services

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