

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 58 (Delegate Leopold, *et al.*)
Commerce and Government Matters

Vehicle Laws - Special Registration Plates - Commemoration of Victims of Terrorism

This bill directs the Motor Vehicle Administration (MVA) to develop a registration plate that commemorates the victims of the September 11, 2001 terrorist attacks. Revenues from sales of the plate would benefit the Edward T. Conroy Memorial Scholarship Program.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could increase by \$562,500 in FY 2003, as would special fund revenues for the Edward T. Conroy Memorial Scholarship Program. Out-year revenues reflect the biennial vehicle registration cycle and renewal of plates. TTF expenditures would increase by approximately \$349,200 in FY 2003; out-year expenditures reflect annualization and inflation.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$1,125,000	\$1,000,000	\$1,250,000	\$1,500,000	\$2,000,000
SF Expenditure	349,200	213,400	215,600	217,700	219,900
Net Effect	\$775,800	\$786,600	\$1,034,400	\$1,282,300	\$1,780,100

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

Local Effect: None. The additional registration fee revenue cannot be distributed to the local jurisdictions under this bill.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires the development of a commemorative registration plate to honor the victims of September 11, which would be available for a one-time fee to recover the administration's costs. The plate would be available for Class A (passenger), B (for hire), E (truck), G (trailer), and M (multipurpose) vehicles.

In addition to the annual registration fee otherwise required, the MVA must charge a one-time fee at initial registration to recover its costs. Furthermore, it must charge an additional fee paid at initial registration and for renewals that will benefit the Edward T. Conroy Memorial Scholarship program; the fee must be set at a level that will both encourage purchases and ensure a continuous revenue source to benefit the scholarship fund. None of the renewal fee revenue can be credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA).

The bill also directs the MVA to consult with organizations that represent armed forces personnel and those that represent State and local public safety officers killed or disabled in the line of duty regarding the plate design, the fee to be charged, and a schedule for transferring revenues to the scholarship fund. Vehicles exempt from registration fees (e.g., federal and State vehicles, those owned by persons with disabilities) would be exempt from the fee charged under this bill.

Current Law: The Edward T. Conroy Memorial Scholarship Program provides scholarships for:

- children of members of the armed services who were killed or permanently disabled in combat, or who were declared to be prisoners of war or missing in action;
- prisoners of war during the Vietnam conflict;
- children and surviving spouses of State or local public safety employees killed in the line of duty; and
- public safety employees with disabilities.

An award may not exceed the equivalent annual tuition and fees of a resident undergraduate at the University of Maryland, College Park. Pursuant to Chapter 327 of 2000, an award may not be less than the lesser of \$3,000 or the equivalent annual tuition and mandatory fees of a resident of the institution attended by the recipient of the scholarship.

Thirty percent of the registration fee revenue collected by the MVA is distributed to the local jurisdictions through the GMVRA. However, revenues from special commemorative plates, including those honoring State agriculture and veterans, are often exempt from this requirement.

Background: Fifty-nine Maryland residents were killed on September 11, 2001, when a coordinated terrorist attack led to the crashing of four commercial airplanes and the deaths of over 3,000 people.

State Revenues: TTF revenues could increase by approximately \$562,500 in fiscal 2003 (accounting for the October 1 effective date) and \$500,000 annually thereafter. Special fund revenues for the scholarship program from the issuance of the plates would total \$562,500 in fiscal 2003 and \$500,000 in fiscal 2004. Annual revenues in fiscal 2005 to 2007 would increase at varying levels due to the two-year registration renewal cycle.

The MVA expects to charge a \$20 additional fee for new plates -- \$10 of that fee is retained by the MVA for cost recovery and \$10 is allocated to the scholarship fund. None of the \$10 biennial renewal fee will be retained by the MVA. Below is a table that shows the potential revenue as it would be split between the TTF and the scholarship fund.

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
TTF (new issues only)	\$562,500	\$500,000	\$500,000	\$500,000	\$500,000
Scholarship Fund (new issues and renewals starting in FY 2005)	\$562,500	500,000	\$750,000	\$1,000,000	\$1,500,000

The MVA advises that it expects high demand for this plate -- 100,000 plates in the first year and 50,000 plates in the following years. However, the Department of Legislative Services (DLS) estimates that no more than 75,000 plates will be sold in fiscal 2003. The level of demand will likely depend considerably upon the timing of the plate's issuance. Annual demand is based on the sale of the Chesapeake Bay plate, which generates almost 50,000 plate sales annually.

State Expenditures: TTF expenditures would increase by approximately \$349,207 in fiscal 2003 to develop, manufacture, and issue the plate, and to inform the public of its availability. This estimate -- which accounts for the bill's October 1, 2002 effective date -- reflects the cost of hiring a part-time manager and one temporary clerical worker in fiscal 2003 only. It includes salaries, fringe benefits, one-time start-up costs, and

ongoing operating expenses. The estimate is based on the following assumptions and information:

- Plate manufacturing by State Use Industries will cost \$240,000 and plate design will cost an additional \$10,000.
- The cost of promoting the plate and altering renewal notices (through contractual services) will be \$44,800.
- The MVA will issue an estimated 50,000 plates annually thereafter.

Salaries and Fringe Benefits	\$39,917
Operating Expenses	14,490
Contractual Costs (manufacturing/promotion)	<u>294,800</u>
Total FY 2003 State Expenditures	\$349,207

Future year expenditures reflect a 1% annual increase in ongoing operating expenses and the elimination of certain start-up costs, such as personnel and promotional materials. DLS advises that the inclusion of a project manager reflects the MVA's experience with other popular commemorative plates that could not be issued in a timely manner because of staffing deficiencies.

The MVA advises that it needs four additional temporary clerical positions for fiscal 2003 only (\$77,544), in addition to on-call reserve assistance of \$191,650 to assist with customer service duties such as processing and sorting applications. Some of the cost estimates are based on an analysis conducted by a Towson University research institute of the major cost elements of the Chesapeake Bay plate. However, DLS notes that the report does not state that on-call reserves are necessary to perform all of the customer service functions associated with the plate's issuance. DLS also advises that many vehicle owners may purchase the plate when their current ones expire rather than generating a new transaction.

The MVA also estimates that it will cost \$60,000 to make computer programming changes and \$10,000 for training, including updates to the training manual. DLS advises that if other legislation is passed that requires changes to the registration system, economies of scale could be realized and thus lower the computer programming costs. Further, the manual must be updated to reflect all enacted legislation and could be absorbed by the agency's existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 18, 2002
ncs/jr

Analysis by: Ann Marie Maloney

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510