

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

Senate Bill 849 (Senator Neall)
 Rules

Vehicle Laws - Commemorative License Plates - Support of Education

This bill directs the Motor Vehicle Administration (MVA) to develop a registration plate to promote education in the State. Part of the revenue from sales and renewal of the plates must be distributed to the counties to pay for education supplies.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could increase by \$562,500 in FY 2003. TTF expenditures would increase by \$349,200 in FY 2003. Out-year expenditures reflect inflation and annualization.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$562,500	\$500,000	\$500,000	\$500,000	\$500,000
SF Expenditure	349,200	213,400	215,600	217,700	219,900
Net Effect	\$213,300	\$286,600	\$284,400	\$282,300	\$280,100

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

Local Effect: Potential increase in revenues, as much as \$562,500 in FY 2003 through the disbursement of registration fee revenue for education purposes. Revenues may increase by as much as \$500,000 in FY 2004 and further in other years due to renewals. The revenue impact per county will vary depending on the number of vehicle owners in each jurisdiction who purchase plates.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires the development of a commemorative registration plate to promote education in the State, which would be available for a one-time fee to recover the administration's costs. The MVA must solicit and consider comments from students, teachers, parents, and other interested parties regarding the design of the plate, which must display the words "I support public education" and a picture of an apple to symbolize classroom instruction, as well as any information required by the MVA. 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, the MVA must charge an additional fee paid at initial registration and for renewals that must be set at a level that will both encourage purchases and ensure a continuous revenue source to benefit education purposes. Revenue from the renewal fee and part of the initial issuance fee must be disbursed by the MVA to each county on a pro rata basis, according to the number of vehicle owners from each county requesting the plate created by the bill. The counties may only use the funds for textbooks, computers, lab equipment, and other classroom materials may not be used for any other purpose, including administrative costs, salaries, or maintenance.

None of the renewal fee revenue can be credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA). 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.

The MVA must adopt regulations to govern the issuance of the education plate that specify its plan for distributing the funds to the counties and the purposes for which the funds distributed to the counties may be used.

Current Law: Thirty percent of the registration fee revenue collected by the MVA is distributed to the local jurisdictions through GMVRA. However, revenue from special commemorative plates is often exempt from this requirement.

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. None of the \$10 biennial renewal fee will be retained by the MVA.

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 local government.

Below is a table that shows the potential revenue as it would be split between the TTF and the local governments:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
State (new issues only)	\$562,500	\$500,000	\$500,000	\$500,000	\$500,000
Local (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) cautions that demand may be considerably lower and estimates that demand in fiscal 2003 will be approximately 75,000. 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 75,000 plates in fiscal 2003 and 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 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 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 the cost of updating 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. The training manual must be updated to reflect all enacted legislation and could be absorbed by the agency's existing resources.

Local Revenues: Local government revenue (to pay for education expenses only) could increase by as much as \$562,500 in fiscal 2003 and \$500,000 in fiscal 2004. Revenues would likely increase further in fiscal 2005 and thereafter due to renewals. The revenue impact per county will depend on the number of residents in each county who purchase the plate, which cannot be reliably estimated at this time.

Additional Information

Prior Introductions: A similar bill was introduced as HB 1225 during the 2001 session that would have required the MVA to develop and sell a special registration plate to benefit a public information campaign for an early childhood care and education initiative. The Commerce and Government Matters Committee conducted a hearing on the bill, but took no action.

Cross File: HB 1224 (Delegate Boschert) – Commerce and Government Matters.

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

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