

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 563

(Montgomery County Delegation)

Ways and Means

Budget and Taxation

Montgomery County - Local Vehicle Surcharge - Transportation Fund
MC 303-03

This bill authorizes the Montgomery County Council to impose a local surcharge on certain motor vehicles owned by Montgomery County residents and creates a fund dedicated to transportation projects in Montgomery County. It also requires the Motor Vehicle Administration (MVA) not to register a vehicle if the surcharge is not paid.

The bill takes effect June 1, 2003.

Fiscal Summary

State Effect: The revenues raised by the bill will be allocated to Montgomery County. Potential minimal decrease in Transportation Trust Fund (TTF) revenues to the extent registration fees are delayed.

Local Effect: Assuming a \$25 surcharge, Montgomery County revenues would increase by approximately \$16.7 million in FY 2004 and \$16.8 million each year thereafter through FY 2013. Actual revenues will vary according to the surcharge and administrative costs incurred by the MVA.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill authorizes the Montgomery County Council to collect a surcharge for each vehicle registered by a resident of Montgomery County. The bill defines a resident of Montgomery County as a person who: (1) is domiciled in the county; (2) owns, leases, or rents a primary place of residence in the county and resides in

the county for more than one year; (3) maintains a main or branch office or warehouse facility in the county, and, as part of office or warehouse operations, bases and operates motor vehicles based in the county; or (4) files as a Maryland resident for income tax purposes and designates the county on the return. The council may only impose a surcharge if a county resident's vehicle is based and operated in the county.

The surcharge does not apply to qualified hybrid vehicles defined by federal law or State law and may not exceed the State registration fee. The bill caps the aggregate surcharge that can be imposed on owners of rental vehicles at \$10,000 annually. Surcharge revenues are directed toward the Montgomery County Dedicated Transportation Fund, a special fund created under the bill to finance transportation projects in Montgomery County, including mass transit initiatives, local highway construction, hiker-biker trails, and pedestrian safety programs.

Eligible projects must be designed to alleviate traffic congestion and prevent gridlock, optimize traffic monitoring technology, improve air quality in the Washington Metropolitan region, and contribute to a comprehensive county transportation system. Fund expenditures may not supplant State funding for transportation projects in Montgomery County.

The bill directs the MVA to provide the county with the name and address of any resident who has registered a vehicle, as well as the make and body style of each vehicle that must be registered, by July 1, 2003. The MVA must also provide the county monthly updates of any changes to this information. The bill requires the MVA to adopt procedures governing the exchange of this information and may collect a fee from the county to recover any related costs. The MVA may not register or transfer the registration of a vehicle if it receives notice from the county that a person has failed to pay the local surcharge. The bill requires any vehicle owner who failed to pay the surcharge to pay a fee established by the MVA before he or she can renew vehicle registration. The MVA must adopt procedures that require Montgomery County to provide notification when an owner has failed to pay the surcharge.

Current Law: The MVA charges an annual registration fee ranging from \$27 for most passenger cars to \$92 for vehicles for hire (except Class E trucks, which are charged by weight). Vehicles exempt from registration fees include certain school vehicles and those owned by: government agencies, certain nonprofit organizations, disabled veterans and their surviving spouses, and volunteer fire companies. Registration fee revenues are deposited into the Gasoline and Motor Vehicle Revenue Account in the TTF – 24% of which is distributed to local governments. The only vehicle registration surcharge authorized by State law is an \$11 biennial fee; the funds from that fee are dedicated to the Maryland Emergency Medical System Operations Fund for medical and emergency rescue needs.

State law defines a qualified hybrid vehicle as an automobile that: (1) meets all regulatory requirements; (2) meets current vehicle exhaust standards set under the National Low-Emission Vehicle Program for gasoline-powered passenger cars; and (3) can draw propulsion energy from both gasoline or diesel fuel and a rechargeable energy storage system, both of which are stored on-board. The Internal Revenue Code defines an electric hybrid vehicle as one that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electrical current.

Background: In June 2002, Montgomery County Executive Douglas Duncan proposed a \$1 billion, ten-year transportation plan that would be financed by a 3-cent county property tax increase, a 10-cent per gallon increase in the 23.5-cent per gallon State gasoline tax, a \$25 vehicle registration fee, and a tax on property development. Almost half (47%) of the additional money would be spent on transit, including a 40% expansion of bus service and expanded employer incentives for transit, and another 10% would be spent for pedestrian and traffic safety and new hiker-biker trails. The plan also earmarks several east-west roadway projects, such as widening a portion of Shady Grove Road, constructing bus-rapid lanes on several roads including Route 193, Randolph Road, and Viers Mill Road, and building Watkins Road extended from Route 355 to Route 117. North-south congestion improvements would include a mid-county highway extended between Middlebrook Road and Maryland Route 27 and additional roads to connect heavily used routes such as Route 355 and Randolph Road.

Funds may also be used to launch several regional projects, such as environmental impact statements for a Metrorail Outer Line (running between Tyson's Corner, White Oak, Langley Park, and New Carrollton) and for all alignments of the proposed Intercounty Connector between Montgomery and Prince George's counties. Other proposed projects include a contribution for a Purpose and Need Statement for a new Potomac River crossing and creation of a new regional transportation authority.

State Fiscal Effect: Since the bill authorizes the MVA to collect a fee for any costs incurred as a result of providing information about county residents, TTF expenditures would not increase. The MVA estimates that it would cost \$16,750 annually to submit the required information, based on 2.5 cents per record. Additionally, it estimates the monthly updates required by the bill will necessitate a one-time \$60,000 computer programming cost that will also be paid by the county. However, the MVA advises that it could incur significant expenditures if it must determine whether businesses or persons qualify as a county resident under the bill or if it must add software that specifies the model of each vehicle. Similar software cost \$100,000 to install in 1999.

The impact on the TTF may be mixed. The MVA will receive an undetermined amount through late fees that are authorized by the bill. TTF revenues could also potentially decrease to the extent that registration fees would be delayed or not paid by county

residents who have not paid the local surcharge. Presumably, most residents will pay the surcharge to avoid the late fee and the impact would be minimal.

Local Revenues: The surcharge authorized by this bill is to be determined by the Montgomery County government and may not exceed the annual State fee. If a \$25 surcharge is assessed, for example, Montgomery County government revenues would increase by approximately \$16,733,250 annually. This estimate is based on the current number of eligible vehicles registered in Montgomery County (670,000) and deducts \$16,750 for the MVA's annual record processing fee. Revenues in fiscal 2004 will be slightly less due to the MVA's computer programming costs.

Under this scenario, Montgomery County residents who own a passenger vehicle would pay \$63 per year (State and local fees combined) or \$126 biannually for each vehicle they register.

Additional Comments: The Department of Legislative Services (DLS) observes that the additional revenue generated by the bill would also likely increase the county's authority to issue debt. DLS also notes that it is unclear whether the proposed cap on the surcharge (which cannot exceed the current registration fee) would be adjusted according to vehicle class.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery County, Department of Transportation,
Department of Legislative Services

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