

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 94 (Chairman, Environmental Matters Committee)
 (By Request – Departmental – Transportation)

Environmental Matters

Motor Vehicle Administration - Miscellaneous Fees

This departmental bill alters the requirements for the level of miscellaneous fees charged by the Motor Vehicle Administration (MVA) to include the cost of the annual average capital budget (as reported in the six-year consolidated transportation program (CTP)) in determining the maximum fee. It also permits the MVA to create and charge a fee for persons who fail to keep appointments made for noncommercial driver testing.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would increase by \$17.4 million in FY 2005 through increased fees. Future years reflect increased operating costs. TTF revenues will also increase slightly due to the fee authorized for missed driver’s tests. Potential increase in TTF expenditures in FY 2005 only for computer programming changes.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$17.4	\$21.1	\$21.1	\$21.1	\$21.1
SF Expenditure	-	0	0	0	0
Net Effect	\$17.4	\$21.1	\$21.1	\$21.1	\$21.1

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

Local Effect: Potential minimal increase in fees for local governments related to vehicle fleets.

Small Business Effect: The Maryland Department of Transportation (MDOT) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment, as discussed below.

Analysis

Current Law: The MVA must recover between 95% and 100% of its operating costs through the establishment of miscellaneous fees, which consists of all fees that it charges except vehicle titling tax and registration fees. Operating costs are defined as the approved operating budget for that fiscal year and the MVA's portion of the cost for that fiscal year of MDOT's data center operations, except for the cost of operations attributable to other administrations' activities. Examples of miscellaneous fees include those for a new or renewed driver's license, reinstatement of revoked driving privileges, security interest filings, and licenses for transportation-related businesses such as vehicle dealers, drivers' schools, and title service agents.

The MVA may not alter miscellaneous fees more than once in any fiscal year or reduce fees for the upcoming fiscal year if legislative budget modifications cause the projected cost recovery percentage to exceed 100%.

State law does not authorize the MVA to charge a fee for a missed driver's test. Applicants for a commercial driver's license must pay a fee for a required skills test (\$40) or a skills retest (\$20).

Background: The MVA last raised its miscellaneous fees in 2001. Under the current formula, miscellaneous fees will have to be increased again by \$3.7 million in fiscal 2006 to recover costs. In fiscal 2003, the MVA collected \$190.7 million in miscellaneous fees; following deductions for various funds, net miscellaneous fee revenue was \$129.8 million. There are approximately 30 authorized fees, in addition to 25 occupational license fees and various administrative fees. Many of them relate to driver's licenses or learner's permits. Below is a comparison of driver renewal costs among Maryland and neighboring states. Renewal fees account for 13% to 16% of all miscellaneous fee revenue.

Driver's License Renewal Costs in States Surrounding Maryland

<u>State</u>	<u>Cost of Renewing Regular Driver's License</u>	<u>Length of Validity</u>
Maryland	\$30	5 years
Pennsylvania	\$26	4 years
New Jersey	\$24	4 years
Virginia	\$20	5 years
West Virginia	\$13	5 years
Delaware	\$12.50	5 years

State Revenues: Miscellaneous fee revenues would increase by \$17.4 million in fiscal 2005 and \$21.1 million annually thereafter. This estimate is based on \$133.1 million of capital costs for the MVA over six years in the fiscal 2004-2009 CTP, which averages \$22.8 million per year. It assumes that: (1) the MVA will recover 95% of \$22.8 million (\$21.1 million) each year after fiscal 2005; and (2) the MVA will need less funds to recoup 95% of its operating costs in fiscal 2005, because it has an existing balance of \$3.7 million. The amount of the actual increase for individual fees cannot be estimated at this time, but MDOT estimates it could be approximately 15%.

TTF revenues will further increase due to the bill's authorization of a fee for missed driver's tests. The MVA advises that it administered 150,000 noncommercial driver's tests during fiscal 2003; however, it does not track the number of failed appointments. Under one scenario, annual revenues would increase by \$150,000 if the MVA charges a \$20 missed test fee, and 5% of all appointments (7,500) are canceled or no-shows.

State Expenditures: TTF expenditures could increase by as much as \$153,375 in fiscal 2005, which includes in-house and vendor costs to adjust computer software for fee changes and for the missed driver's test fee. The Department of Legislative Services advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce the costs associated with this bill and other legislation affecting the MVA system.

Small Business Effect: Small businesses that purchase vehicle fleets (*e.g.*, taxi and delivery services) will be affected by the bill to the extent they may pay higher fees for title certificates and security interest filings. Self-employed commercial drivers may also face slightly higher costs, as well as small businesses that pay MVA for a license to operate. Current annual license fees range from \$250 for a used car dealer to \$50 for a trailer dealer. Title service agents are predominantly small businesses but only pay a \$62.50 license fee annually.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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