

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 88 (Delegate Griffith)
 Environmental Matters

Vehicle Laws - Special Registration Plates - Supporting Education

This bill directs the Motor Vehicle Administration (MVA) to develop a specially designed vehicle registration plate expressing support for education. Part of the revenue from sales and all renewal revenue must be distributed to counties to provide educational benefits to students.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could increase by \$400,000 in FY 2005. Net TTF expenditures could increase by \$20,700 in FY 2005. Potential additional increase in TTF expenditures in FY 2005 only for computer costs. Out-year expenditures reflect inflation and annualization.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$400,000	\$300,000	\$300,000	\$300,000	\$300,000
SF Expenditure	420,700	152,500	155,900	159,500	163,200
Net Effect	(\$20,700)	\$147,500	\$144,100	\$140,500	\$136,800

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

Local Effect: Potential increase in revenues, as much as \$400,000 in FY 2005 through the disbursement of registration fee revenue for education purposes. Revenues may increase by as much as \$700,000 in FY 2007 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: 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 each renewal to be distributed to the governing body of the county in which the vehicle is registered. Use of the funds by a local government must be in consultation with the county board of education, or in Baltimore City, the Board of School Commissioners. The funds must be used for educational purposes in a manner that maximizes direct educational benefits to students and does not pay for the salaries of administrative personnel or teachers.

None of the renewal fee revenue can be credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA). Vehicles exempt from registration fees (for example, federal and State vehicles, or those owned by individuals with disabilities) would be exempt from the fee charged under this bill.

Current Law: The MVA is authorized to issue special commemorative original or substitute registration plates for any geographical, historical, natural resource, or environmental commemoration of statewide significance. The plate can be issued for Class A (passenger), Class B (for hire), Class G (trailer), and Class M (multipurpose) vehicles. The MVA may issue an original or substitute commemorative plate for a fixed period of two consecutive years after initial issuance.

In addition to the annual registration fee, a vehicle owner who receives a commemorative registration plate must pay an additional initial registration fee set by the MVA when new registration plates are issued or an additional renewal fee each time the plates are renewed. The additional initial registration fee must be set at a level that will allow the MVA to recover its costs. The MVA may set the additional initial registration fee at a level that generates a surplus after costs are subtracted and retain a portion of this fee to recoup its costs for plate issuance. No portion of the additional initial registration or renewal fee may be credited to GMVRA. Any surplus monies remaining after the MVA has recovered its costs may not be retained by or transferred to any State agency for any purpose.

The additional fee for the commemorative plates is not required for vehicles exempt from registration requirements or for vehicles with special plates recognizing the Maryland National Guard or volunteer fire, rescue, or ambulance companies.

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 \$400,000 in fiscal 2005 and \$300,000 annually thereafter, assuming 40,000 plates are issued in fiscal 2005 and 30,000 plates annually thereafter. 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. None of the \$10 biennial renewal fee will be retained by the MVA. The number of estimated plates issued is based on sales experience with other special plates.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
State (new issues only)	\$400,000	\$300,000	\$300,000	\$300,000	\$300,000
Local (new issues and renewals starting in FY 2007)	\$400,000	\$300,000	\$700,000	\$600,000	\$1,000,000

State Expenditures: TTF expenditures would increase by approximately \$420,656 in fiscal 2005 to develop, manufacture, and issue the plate, and to inform the public of its availability. Net expenditures could increase by \$20,656, reflecting the difference between anticipated revenues and expenditures in fiscal 2005 only.

This estimate reflects the cost of hiring a full-time manager and one temporary clerical worker in fiscal 2005 only. It includes salaries, fringe benefits, and one-time start-up costs. Annual contractual assistance for sorting and mailing operations will be approximately \$50,000 annually. The estimate is based on the following assumptions:

- plate manufacturing will cost \$145,200, 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; and
- the MVA will issue 40,000 plates in fiscal 2005 and 30,000 plates annually thereafter.

Salaries and Fringe Benefits	\$122,336
Operating Expenses	11,200
Contractual Costs (manufacturing/promotion)	<u>287,120</u>
Total FY 2005 State Expenditures	\$420,656

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. The Department of Legislative Services (DLS) advises that the inclusion of a project
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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 two temporary clerical workers and a full-time customer service agent in fiscal 2005. However, DLS 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 \$120,000 to make computer and web site programming changes. DLS advises that if other legislation is passed that requires changes to the registration system, economies of scale could be realized and thus lower these programming costs.

Local Revenues: Local government revenues (to pay for education expenses only) could increase by as much as \$400,000 in fiscal 2005. Future year revenues would likely increase further 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: Similar bills were introduced as HB 1224 during the 2002 session and HB 1225 in the 2001 session. No action was taken on either bill. HB 1224 would have required the MVA to design an education plate; it was heard by the Commerce and Government Matters Committee.

Cross File: None.

Information Source(s): Maryland Association of Boards of Education, Maryland State Department of Education, Maryland Department of Transportation, Department of Legislative Services

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ncs/jr

Analysis by: Ann Marie Maloney

Direct Inquiries to:
(410) 946-5510
(301) 970-5510