

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

Senate Bill 898 (The President) (By Request – Administration)
 Budget and Taxation

Transportation Trust Fund - Transportation Financing - Increased Revenues

This Administration bill increases the State motor vehicle registration fee and authorizes a surcharge on convictions of moving violations and drunk and drugged driving violations. It also alters the requirements for the level of miscellaneous fees charged by the Motor Vehicle Administration (MVA) and authorizes a fee for a missed driver's test appointment. The bill directs all rental vehicle tax revenue to the Transportation Trust Fund (TTF) and increases the debt limit on consolidated transportation bonds.

The bill takes effect July 1, 2004; however, the provision that transfers rental tax revenue from the general fund to the TTF will not take effect until July 1, 2005.

Fiscal Summary

State Effect: TTF revenues will increase by an estimated \$201 million in FY 2005. Out-year revenues reflect the addition of rental tax revenue in fiscal 2006 and inflation. General fund revenues will decrease by \$31.5 million in FY 2006 as a result of the rental tax transfer. TTF expenditures will increase by \$292,000 in FY 2005 only for administrative and personnel costs. Potential increase in TTF expenditures for computer programming costs in FY 2005 only. Transportation bond revenues and related debt service could increase as a result of the \$500 million increase in the debt cap.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$0	(\$31,470,000)	(\$32,705,000)	(\$33,825,000)	(\$34,975,000)
SF Revenue	200,961,600	236,258,300	248,409,000	253,902,700	253,902,700
Bond Rev.	-	-	-	-	-
GF Expenditure	-	-	-	-	-
SF Expenditure	292,000	0	0	0	0
Bond Exp.	-	-	-	-	0
Net Effect	\$200,669,600	\$204,788,300	\$215,704,000	\$220,077,700	\$218,927,700

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

Local Effect: Local government revenues will increase by \$54.5 million in FY 2005 from the local share of the proposed court surcharges and increased registration fee revenues and \$62 million in FY 2006 from the above revenues and rental tax revenue.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available. As discussed below, the bill will affect certain small businesses.

Analysis

Bill Summary: The bill:

- imposes an additional \$200 on a defendant convicted of violating State laws against driving while under the influence of, or impaired by, alcohol or drugs, including cases in which the defendant waives the right to trial and pays the fine;
- imposes an additional \$50 on a defendant convicted of any moving violation (excluding offenses subject to the fine described above), including cases in which the defendant waives the right to trial and pays the fine;
- increases the State vehicle registration fee for all classes of vehicles;
- requires 100% (rather than the current 45%) of short-term rental vehicle tax revenue to be distributed to the TTF;
- increases the cap on outstanding and unpaid consolidated transportation bonds from \$1.5 billion to \$2.0 billion;
- alters the requirements for the level of miscellaneous fees charged by the MVA to include the cost of the annual average MVA capital budget (as reported in the six-year consolidated transportation program (CTP)) in determining the maximum fee;
- permits the MVA to create and charge a fee for persons who fail to keep appointments made for noncommercial driver tests; and
- redefines a miscellaneous fee to exclude the portion of the motorcycle registration fee that exceeds \$13.50 (technical correction).

Revenue from the court surcharges on moving and drunk driving violations must be allocated to the TTF and credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA). Thirty percent of the funds in the GMVRA are distributed to local governments.

Some of the fee increases are shown below. A detailed summary of all the registration fee increases by vehicle class is provided in **Appendices 1 and 2**.

<u>Fee</u>	<u>Current Amount</u>	<u>Proposed Amount</u>
Registration fee for Class A (passenger) and Class M (multipurpose) vehicles that weigh less than 3,700 lbs.	\$54 biennially	\$101 biennially
Registration fee for Class A and Class M trucks that weigh over 3,700 lbs.	\$81 biennially	\$153 biennially
Surcharge on drunk driving convictions	NA	\$200
Surcharge on moving violations	NA	\$50

NA: Not applicable because the fee does not exist under current law.

The proposed increase to the motor vehicle registration fee will not affect the \$27 biennial surcharge for vehicle registrations that is dedicated to the Maryland Institute for Emergency Medical Services Systems (MIEMSS).

Examples of miscellaneous fees affected by the bill 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.

Current Law: The current law that applies to the various provisions of the bill is described below.

Transportation Fees: The MVA has the authority to establish most fees by regulation; however, the State vehicle registration fee is set in statute. 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 the Maryland Department of Transportation's (MDOT) data center operations, except for the cost of operations attributable to other administrations' activities.

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).

Surcharge: The circuit court must impose a \$45 fee on a defendant convicted of a moving violation, in addition to any other costs required by law. The District Court must impose a \$35 charge on convictions. A court must also impose a \$3 fee on a defendant who is convicted, including one who waives the right to trial. The revenue from these charges is distributed to special funds created for crime victims and witness protection.

Vehicle Rentals: Short-term vehicle rentals are subject to an 11.5% State sales tax; 45% of sales tax revenue from short-term vehicle rentals is dedicated to the TTF. The remaining funds are dedicated to the general fund.

Bonds: MDOT may issue consolidated transportation bonds as long as the aggregate outstanding principal balance of these bonds and bonds of prior issues does not exceed \$1.5 billion at one time. The maximum unpaid balance as of June 30 for the next fiscal year must be set by the General Assembly in the budget bill and may not exceed the \$1.5 billion limit.

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.

Among the 27 states other than Maryland that do not allow local jurisdictions to assess annual taxes on automobiles, 13 states (and the District of Columbia) assess higher annual registration rates than the \$27 assessed by Maryland. Four (Indiana, Delaware, Arkansas, and Oregon) charge less for an annual registration than Maryland; and 10 states cannot be ranked against Maryland's rate. The chart below compares Maryland's current vehicle registration rates with those assessed in all surrounding states and in the nine other states that maintain multi-modal transportation funds.

State**Annual Vehicle Registration Rate**

Maryland \$27/Class A & M vehicles weighing up to 3,700 lbs.
\$40.50/Class A & M vehicles weighing more than 3,700 lbs.

Surrounding States
(without Multi-modal Transportation Funds)

District of Columbia \$72/vehicles weighing up to 3,500 lbs.
\$115/vehicles weighing more than 3,500 lbs.

West Virginia \$30/vehicles weighing up to 8,000 lbs.

States with Multi-modal
Transportation Funds

Connecticut \$35 for passenger vehicles

Delaware \$20/vehicles weighing up to 5,000 lbs.
For vehicles weighing over 5,000 lbs., fee is \$20 plus \$16.80 for each additional 1,000 lbs.

Florida \$27.60/autos up to 2,499 lbs. and trucks and trucks up to 1,900 lbs.
\$35.60/autos between 2,500 lbs. and 3,499 lbs. and trucks between 2,000 lbs. and 3,000 lbs.

Louisiana Annual fees are based on a sliding fee scale per the value of the car being registered.

Pennsylvania \$36 for passenger vehicles

Tennessee \$24 for passenger vehicles

Vermont \$50 for a one-year registration or \$92 for a two-year registration for all gas-powered automobiles

Virginia \$29.50 for vehicles weighing up to 4,000 lbs.

Wisconsin \$55 flat Automobile Plate Fee

The Transportation Task Force, appointed by the Governor in 2003 to find new funding options for future transportation projects, concluded that unfunded transportation needs for all modes total \$10.5 billion between fiscal 2005 and 2010. The task force also supported a departmental proposal to add a \$20 surcharge to moving traffic violations. Projects identified by the Administration for which the increased revenue may be used

include upgrading I-695 in Baltimore, constructing new interchanges for Route 4 in Prince George's County, making safety improvements on US 113 and Route 404, and technology upgrades for the State transit system (known as NEXT).

State Fiscal Effect: TTF revenues will increase by \$201 million in fiscal 2005 as a result of the increased fees authorized by the bill and by \$236.3 million in fiscal 2006, due to the transfer of \$31.5 million of rental tax revenue from the general fund and increases in registrations and convictions. Accordingly, general fund revenues will decrease by \$31.5 million in fiscal 2006 and annually thereafter. Out-year TTF revenues will increase by varying rates of the growth in vehicle registrations, court convictions, and vehicle rentals. The fiscal 2005 revenue increases by source are shown below.

<u>Source</u>	<u>Revenue</u>
Vehicle registration fee increase	\$147,969,759
Surcharge on moving violation convictions	33,600,650
Miscellaneous fee formula changes	17,400,000
Surcharge on alcohol-related driving convictions	1,841,200
Driver retest fee	<u>150,000</u>
Total	\$200,961,609

This estimate is based on the following assumptions:

- \$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;
- in fiscal 2003, 9,386 convictions for alcohol-related driving offenses (circuit and District Court) and 672,013 motor vehicle convictions (District Court only), including 569,673 prepay cases;
- the MVA will charge a \$20 missed test fee, and 5% of all appointments (7,500) are canceled or no-shows, based on 150,000 driver's tests during fiscal 2003; and
- registration fees will increase for 4.8 million vehicles.

The Department of Legislative Services (DLS) advises that the estimate for court surcharges varies from MDOT's by \$15.6 million because the department's revenue assumption for the court surcharges was based at least in part on the number of violations rather than convictions, which is not authorized under the bill. The estimate also varies slightly for the fiscal 2005 miscellaneous fee needed to meet the bill's formula for capital cost recovery.

TTF revenues will increase by an additional \$31,470,000 in fiscal 2006, resulting from the transfer of all rental tax revenue. Under current law, the TTF would receive \$25,749,000.

DLS further advises that the surcharge on moving violations will likely lower the number of people who prepay the penalty, prompting them to go to court to appeal the citation. It cannot be accurately estimated at this time how many people will opt for a court appearance or how many will receive a guilty verdict and still be subject to the surcharge. However, given that the surcharge is two-thirds of the \$75 prepay penalty for violations such as failing to stop for a red light or tailgating and almost twice the penalty for violations such as driving with expired tags (\$55), the decrease in prepay activity could be substantial. Persons charged with drunk driving offenses must appear in court so that caseload will not be affected.

General fund expenditures will increase to the extent that the caseload for the District Court expands to accommodate additional people who appear in court due to the surcharge for prepay penalties. The Administrative Office of the Courts anticipates a significant impact. DLS notes that there were 569,673 prepaid convictions in fiscal 2003. Assuming, conservatively, that 15% of these become court cases due to the surcharge, the caseload would increase by approximately 85,450. Additional personnel will likely be needed.

TTF expenditures will increase by \$292,000 in fiscal 2005 only for temporary personnel and printing costs. The MVA advises that it will need eight contractual employees in fiscal 2005 to respond to customer queries about the fee increases and handle related administrative duties, at a cost of approximately \$192,000. The MVA will also need an estimated \$100,000 to revise over 200 customer forms to reflect the new fees.

The MVA further indicates that it will cost approximately \$165,000 to update its computer system. DLS 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.

Capital Program Impact

Currently there is a statutory limit of \$1.5 billion for consolidated transportation bonds. This legislation would raise the limit to \$2.0 billion; this change and the additional revenues enables MDOT to sell approximately \$505 million of additional consolidated transportation bonds between fiscal 2005 and 2009. These sales would nearly triple the amount of debt sold between fiscal 2005 and 2009 above the amount previously projected. As a result of these sales, total debt outstanding at the end of fiscal 2009 could be raised to approximately \$1.95 billion – an increase of approximately 192% above the level that could be supported without the revenues generated by this bill.

The bill could yield approximately \$1.5 billion in additional funding for capital projects over that six-year period, raising total capital expenditures for the period to

approximately \$6.5 billion. Total debt service payments between fiscal 2005 and 2009 would increase by approximately \$100 million over the amount projected for this period in the original forecast. The revenues and debt service payments from additional bonding capacity are not incorporated in the fiscal estimate because annual estimates cannot be predicted at this time. For example, the entire capacity could be used in one year.

Local Revenues: Local governments will receive 30% of the increased registration fee and court surcharge revenue and 24% of the rental tax revenue beginning in fiscal 2006. Accordingly, local government revenue will increase in fiscal 2005 by \$54,471,122 and \$62,023,922 in fiscal 2006 and annually thereafter.

Small Business Effect: The Administration has not submitted a formal impact statement but MDOT advises that the fee increases will initially have a negative impact but would benefit small business in the long term through improved transportation systems. DLS notes that small businesses that purchase vehicles or vehicle fleets, such as delivery companies, trade contractors, and transportation services (taxi, limousines) will pay substantially increased registration fees. Self-employed commercial drivers may also face slightly higher costs, as well as small businesses that pay the MVA for a license to operate.

Additional Information

Prior Introductions: None.

Cross File: HB 1467 (The Speaker and the Minority Leader) (By Request – Administrations) – Ways and Means and Environmental Matters.

Information Source(s): Maryland Department of Transportation, Commission on Criminal Sentencing Policy, Judiciary (Administrative Office of the Courts), Comptroller’s Office, Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2004
ncs/jr

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Appendix 1 Vehicle Registration Fee – Vehicle Fee Summary

REGISTRATION FEES BY CLASS			Vehicle	Present	Proposed	Increase Amount	
		Transactions #	Fee \$	Fee \$	Fee \$	Revenue \$	Change %
PERSONAL VEHICLES							
CLASS A Passenger	< 3,700 lbs	2,478,783	27.00	50.50	23.50	58,251,409	87%
	> 3,700 lbs	<u>171,806</u>	40.50	76.50	36.00	<u>6,184,998</u>	89%
		2,650,589				64,436,407	87%
CLASS M Multipurpose	< 3,700 lbs	311,626	27.00	50.50	23.50	7,323,200	87%
	> 3,700 lbs	<u>715,268</u>	40.50	76.50	36.00	<u>25,749,638</u>	89%
		1,026,893				33,072,838	88%
CLASS E Trucks	7,000 lbs	592,923	33.75	63.75	30.00	17,787,701	89%
CLASS D Motorcycle		81,082	18.50	35.00	16.50	1,337,855	89%
CLASS L Historic		57,395	13.50	25.50	12.00	688,740	89%
CLASS N Street Rod		5,775	13.50	25.50	12.00	69,300	89%
TRUCKS / TRACTORS							
CLASS E Private Owned & Freight Trucks	10,000-80,000 lbs	106,212	Page 2	Page 2	4.25 Per 1000 lbs.	7,460,960	64%
CLASS F Truck Tractor		1,617	Page 2	Page 2	6.50 Per 1000 lbs.	699,810	42%
CLASS E Dump Trucks		5,182	Page 2	Page 2	7.75 Per 1000 lbs.	2,254,345	42%
IRP Home State Fees Retained by MVA		28,299	Page 2	Page 2		6,733,565	42%
IRP Foreign States Remittances to MD						<u>6,733,565</u>	42%
						13,467,130	42%
TRAILERS							
CLASS G Non-freight Trailers	3,000 lbs	168,411	13.50	25.50	12.00	2,020,927	89%
	5,000 lbs	36,011	27.00	51.00	24.00	864,270	89%
	10,000 lbs	34,805	47.25	80.00	32.75	1,139,850	69%
	20,000 lbs	<u>3,500</u>	81.00	124.00	43.00	<u>150,482</u>	53%
		242,726				4,175,529	81%
CLASS G Freight Trailers		15,422	20.25	38.25	18.00	277,596	89%
CLASS G Farm Trailers	3,000 lbs	127	6.75	12.75	6.00	762	89%
	5,000 lbs	159	13.50	25.50	12.00	1,908	89%
	10,000 lbs	625	23.75	40.00	16.25	10,156	68%
	20,000 lbs	<u>310</u>	40.50	62.00	21.50	<u>6,665</u>	53%
		1,221				19,491	64%

REGISTRATION FEES BY CLASS	Vehicle	Present	Proposed	Increase Amount			
	Transactions #	Fee \$	Fee \$	Fee \$	Revenue \$	Change %	
BUSINESS VEHICLES							
CLASS H School Bus	3,531	27.00	51.00	24.00	84,744	89%	
CLASS J Van Pool Vehicle	146	40.50	76.50	36.00	5,256	89%	
CLASS C Funeral Vehicle & Ambulances	851	54.00	100.00	46.00	39,146	85%	
CLASS H School Bus Charter	914	81.00	150.00	69.00	63,066	85%	
CLASS B For Hire (Taxi)	5,183	81.00	150.00	69.00	357,627	85%	
CLASS Q Limo	777	100.00	185.00	85.00	66,045	85%	
CLASS E Tow Trucks	up to 26,000 lbs	600	100.00	185.00	85.00	51,000	85%
	> 26,000 lbs	<u>2,922</u>	300.00	550.00	250.00	<u>730,500</u>	83%
		3,522			781,500	83%	
CLASS P Passenger Bus	20 or less	658	175.00	275.00	100.00	65,800	57%
	21 to 35	416	350.00	525.00	175.00	72,800	50%
	36 or more	<u>783</u>	625.00	875.00	250.00	<u>195,750</u>	40%
		1,857			334,350	45%	
FARM VEHICLES							
CLASS E Farm Trucks 10,000-60,000 lbs	8,033	Page 2	Page 2	2.25 Per 1000 lbs.	376,153	81%	
CLASS F Farm Truck Tractor	640	Page 2	Page 2	2.25 Per 1000 lbs.	110,441	75%	
CLASS K Farm Area	3,242	1.35	2.50	1.15	3,728	85%	
TOTAL REGISTRATION	4,844,033			\$	147,969,759	77%	

Source: Maryland Department of Transportation

Appendix 2
Vehicle Registration Fee – Truck Fee Summary

Class E – Private & Freight

Fee Increase: **\$4.25**

<u>Current Fee</u> <u>Per 1,000 lbs.</u>	<u>Weight Class</u>	<u>Proposed Fee Per</u> <u>1,000 lbs.</u>
\$4.75	10,000 - 18,000	\$9.00
\$7.50	18,001 - 26,000	\$11.75
\$8.50	26,001 - 40,000	\$12.75
\$10.50	40,001 - 60,000	\$14.75
\$11.75	60,001 - 80,000	\$16.00

Class F – Truck Tractor

Fee Increase: **\$6.50**

\$14.50	40,000 - 60,000	\$21.00
\$16.00	60,001 - 80,000	\$22.50

Class E – Dump Trucks

Fee Increase: **\$7.75** for Dumps

\$18.50	All	\$26.25
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Class E – Farm Trucks

Fee Increase: **\$2.25**

\$2.75	10,000 - 40,000	\$5.00
\$3.00	40,001 - 60,000	\$5.25

Class F – Farm Trucks

Fee Increase: **\$2.25**

\$3.00	40,000 - 80,000	\$5.25
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Source: Maryland Department of Transportation

