

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1332 (Delegate Taylor, *et al.*)
 Environmental Matters

Vehicle Laws - Special Registration Plates - Honoring Maryland African American History and Culture

This bill requires the Motor Vehicle Administration (MVA) to develop a specially designed vehicle registration plate honoring Maryland African American history and culture. The revenues from sales and renewal must be distributed to the Reginald F. Lewis Museum of Maryland African American History and Culture (Lewis Museum).

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could increase by \$400,000 in FY 2006, and TTF expenditures could increase by \$264,000. Future revenues reflect future demand for the registration plate and a biennial renewal schedule. Out-year expenditures reflect inflation and annualization. Potential additional increase in TTF expenditures in FY 2006 only for computer costs.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$400,000	\$300,000	\$300,000	\$300,000	\$300,000
SF Expenditure	264,300	157,000	152,400	154,900	157,600
Net Effect	\$135,700	\$143,000	\$147,600	\$145,100	\$142,400

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The plate will be available to a Class A (passenger), a Class B (for hire), a Class E (Truck) vehicle with a manufacturer's rated capacity of one ton or less, a Class G (trailer), or a Class M (multipurpose) vehicle.

In addition to the annual registration fee otherwise required for the vehicle, the MVA must set an initial fee to recoup the costs of designing and issuing the new plate. This fee will not be charged when the registration is renewed. In addition, a fee must be charged to benefit the Lewis Museum. The fee to benefit the Lewis Museum will be charged when the plate is first issued and upon each registration renewal. These fees are not required for special registration of a vehicle owned by a disabled veteran.

No portion of the additional fee to benefit the Lewis Museum can be used to offset general fund appropriations for the Lewis Museum. No portion of the fees collected can be credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA).

The MVA is required to consult with the Board of Directors of the African American Museum Inc., a nonprofit foundation of the Lewis Museum, about the design of the registration plate and the fee to be charged to benefit the Lewis Museum.

Current Law: The MVA may issue special commemorative original or substitute registration plates for a 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. In addition to the annual registration fee, the vehicle owner must pay an additional initial registration plate when the new special plates are issued and an additional renewal fee set by the MVA each time the plate is renewed.

The MVA must set the additional registration fee at a level that will enable it to recover its costs. No portion of the additional initial registration or renewal fees may be credited to GMVRA for distribution. Neither surplus funds from the initial fee nor any additional renewal fees may be retained by or transferred to any State agency for any purpose. The MVA currently collects additional fees for issuance and renewal of plates that benefit the Chesapeake Bay Trust and the Maryland Agricultural Education Foundation. The Chesapeake Bay Trust plate is also issued for Class E (truck) vehicles weighing one ton or less.

Thirty percent of the registration fee revenue collected by the MVA is distributed to the local jurisdictions as highway user revenues through GMVRA. However, revenues from special commemorative plates, including those honoring State agriculture and veterans, are often exempt from this requirement.

Background: The General Assembly created the Lewis Museum as a public instrumentality in 1998 (the Maryland African American Museum Corporation (MAAMC)). Construction began in Baltimore in 2002 and finished in 2004. The Lewis Museum is scheduled to open on June 24, 2005.

Since 1995, the State has provided MAAMC with more than \$30 million for construction costs. The State has also covered a portion of the operating costs MAAMC has incurred while preparing the museum for opening (staffing, exhibit preparation, etc.) As shown below, over the past three years, the State has provided almost \$4 million in grants to MAAMC for operating expenses. These grants were intended to fund 75% of MAAMC's operating expenditures and each was subject to a Memorandum of Understanding between MAAMC and the Department of Budget and Management. The *Joint Chairmen's Report* for 2004 expressed the intent that the fiscal 2006 and 2007 grants provide 75% and 50%, respectively, of MAAMC's operating costs. The Governor's proposed operating budget for fiscal 2006 includes \$2,375,007 for MAAMC.

<u>Fiscal Year</u>	<u>State Grant</u>
2003	\$742,091
2004	1,074,559
2005	<u>2,165,366</u>
Total	\$3,982,016

MAAMC intends to fund its share of the operating budget through ticket revenue, donations, and the revenue from the special registration plate. MAAMC advises that it intends to use revenue from the registration plates to pay for additional programs the museum wishes to operate above and beyond the State allocation. These include special educational programs, funding for interns and scholars in residence, and educational training for public school teachers.

State Revenues: TTF revenues could increase by approximately \$400,000 in fiscal 2006 and \$300,000 annually thereafter, assuming 40,000 plates are issued in fiscal 2006 and 30,000 plates in each subsequent year. The MVA expects to charge a \$20 additional fee for new plates – \$10 of that fee would be retained by the MVA for cost recovery and \$10 would be allocated to the Lewis Museum. None of the biennial renewal fee would be retained by the MVA. The number of estimated plates is based on sales experience of other special plates.

State Expenditures: TTF expenditures would increase by approximately \$264,329 in fiscal 2006 to develop, manufacture, and issue the plate and inform the public of its availability.

This estimate reflects the cost of hiring a contractual part-time project manager to ensure appropriate implementation of the project. The estimate is based on the following assumptions.

- the MVA would issue 40,000 plates in fiscal 2006 and 30,000 plates annually thereafter;
- plate manufacture would cost \$116,160 and plate design would cost \$5,000; and
- the cost of promoting the plate and altering renewal notices (through contractual services) would be \$69,328.

Salaries and Fringe Benefits	\$61,169
Operating Expenses	12,672
Contractual Costs (manufacturing/promotion)	<u>190,488</u>
Total FY 2006 State Expenditures	\$264,329

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 manager reflects the MVA's experience with other popular commemorative plates that could not be issued in a timely manner due to staffing deficiencies.

The MVA advises that it needs two temporary clerical workers and a full-time customer service agent in fiscal 2006. 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 would 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 reprogramming costs for the MVA system.

Additional Comments: DLS observes that the sales for all special plates could diminish as additional types of special plates become available and create competition among vehicle owners.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Reginald F. Lewis Museum of Maryland African American History and Culture, Maryland Department of Transportation, Department of Legislative Services

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mam/jr

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