

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 614 (Senator Hooper, *et al.*)
 Judicial Proceedings

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, 2005.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could increase by \$400,000 in FY 2006. Out-year revenue estimates reflect new registrations. TTF expenditures could increase by \$319,700 in FY 2006 for start-up costs. 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	319,700	149,900	152,400	154,900	157,600
Net Effect	\$80,300	\$150,100	\$147,600	\$145,100	\$142,400

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

Local Effect: Local revenues could increase as much as \$400,000 in FY 2006 through the disbursement of registration fee revenues for education purposes. Revenues could increase by as much as \$1 million in FY 2010 due to renewals and new registrations. The revenue impact per county would 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 State motor vehicle registration fee, applicants for this plate must pay a one-time fee set by the MVA to recover its costs and an additional fee to benefit education. The additional fee must be paid when the plates are issued and every time they are renewed. None of the revenue from this fee may be credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA).

This additional fee is 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.

Vehicle owners and lessees (if the lease is not intended as a security), as well as a director, officer, employee, or partner of a business entity that owns an eligible vehicle, may apply to the MVA for a “Supporting Education” plate. The plate may be purchased for the following classes of vehicles:

- Class A (passenger);
- Class B (for hire);
- Class E (truck with a manufacturer’s rated capacity of one ton or less);
- Class E (farm truck);
- Class G (trailer); and
- Class M (multipurpose).

Vehicles exempt from registration fees (for example, federal and State vehicles, or those owned by individuals with disabilities) are exempt from the fee charged under this bill.

Current Law: The MVA may 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. In addition to the annual registration fee, the vehicle owner must pay an additional initial registration fee when the new special plates are issued and an additional renewal fee set by the MVA each time the plates are renewed.

The MVA must set the additional initial registration fee set at a level that will allow the MVA to recover its costs. No portion of the additional initial registration or renewal fees may be credited to GMVRA. Neither surplus funds from the initial fee nor any additional renewal fees may be retained 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.

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 2006 and \$300,000 annually thereafter, assuming 40,000 plates are issued in fiscal 2006, and 30,000 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 appropriate local government. None of the \$10 biennial renewal fee would be retained by the MVA. The number of estimated plates issued is based on sales experience of other special plates.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
State (new issues only)	\$400,000	\$300,000	\$300,000	\$300,000	\$300,000
Local (new issues and renewals starting in FY 2008)	\$400,000	\$300,000	\$700,000	\$600,000	\$1,000,000

State Expenditures: TTF expenditures could increase by an estimated \$319,690 in fiscal 2006, which accounts for a 90-day start-up delay, to develop, manufacture, promote, and issue the plate. This estimate reflects the cost of hiring a full-time manager for one year and includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Annual contractual assistance for sorting and mailing operations would be approximately \$50,000 annually. The estimate is based on the following assumptions:

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

Salaries and Fringe Benefits	\$109,650
Operating Expenses	19,552
Contractual Costs (manufacturing/promotion)	<u>190,488</u>
Total FY 2006 State Expenditures	\$319,690

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. Legislative Services advises that the inclusion of a project manager reflects the MVA's experience with other popular specialty plates that could not be issued in a timely manner because of staffing deficiencies. A full-time project manager would be necessary as the MVA would be working with numerous county boards of education and the Baltimore City Board of School Commissioners rather than a single organization to distribute revenue.

The MVA advises that it needs two temporary clerical workers and a full-time customer service agent in fiscal 2006. However, Legislative Services 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. Legislative Services advises that, if other legislation is passed that requires changes to the registration system, economies of scale could be realized and thus lower programming costs for this bill and the MVA system.

Local Revenues: Local government revenues (to pay for education expenses only) could increase by as much as \$400,000 in fiscal 2006. Future year revenues would likely increase further due to renewals. The revenue impact per county would depend on the number of residents in each county who purchase the plate, which cannot be reliably estimated at this time.

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

Additional Information

Prior Introductions: Two identical bills, SB 629 and HB 88 of 2004, received unfavorable reports from the Senate Judicial Proceedings Committee and the House Environmental Matters Committee, respectively. Similar bills were introduced as HB 1224 in 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 Department of Transportation, Department of Legislative Services

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