

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 615 (Senator Hooper, *et al.*)
Judicial Proceedings

Motor Vehicle Registration - Annual Renewal Option

This bill requires the Motor Vehicle Administration (MVA) to allow vehicle owners the option to register their vehicle annually. The MVA may establish a registration fee surcharge for a vehicle owner who opts to register the vehicle annually; the surcharge must be set to cover any additional administrative costs only.

Fiscal Summary

State Effect: Decrease in Transportation Trust Fund (TTF) revenues in FY 2006 and 2007 due to loss of anticipated registration fee revenue from biennial registration renewals. Potential increase in TTF expenditures beginning in FY 2007 due to an increased number of transactions for individuals who choose to renew their vehicle registrations on an annual rather than a biennial basis. Potential increase in TTF expenditures in FY 2006 for computer costs.

Local Effect: Decrease in local revenues in FY 2006 and 2007 as registration fee revenue is shared with local jurisdictions through the Gasoline and Motor Vehicle Revenue Account (GMVRA) monies distributed as highway user revenues.

Small Business Effect: Minimal.

Analysis

Current Law: The MVA may adopt a system of multiyear vehicle registration. Fees for a multiyear vehicle registration are the same as the annual registration fee multiplied by the number of years for which the registration is issued.

Background: Currently, the MVA uses a biennial renewal schedule for vehicle registration. An individual who returns registration plates to the MVA more than a year before the expiration is entitled to a refund of one year's registration fee.

Although the MVA does not publicize it, an annual registration is available to virtually all customers. An individual can advise the MVA that the two-year registration schedule causes an economic hardship, and the MVA will issue a one-year registration. The MVA does not require proof of financial hardship. This option is only available to an individual who physically walks into a branch office; it is not available to individuals who renew their registration by mail or over the Internet. The MVA advises that, in fiscal 2004, 97,694 individuals renewed their vehicle registration for one year. There are likely more individuals who might prefer to renew on an annual basis for financial reasons, especially those who intend to relocate during the next year.

State Fiscal Effect: TTF revenues would decrease in fiscal 2006 and 2007 due to individuals scheduled to pay a biennial registration fee paying only 50% of that fee instead. The magnitude of this decrease would depend on the number of individuals that would opt for an annual renewal schedule, which cannot be reliably estimated at this time. The impact in fiscal 2007 would be less than in fiscal 2006.

Any such loss in TTF revenues would occur primarily in the first two fiscal years, as long as 50% of individuals opting for an annual registration schedule are scheduled to renew their vehicles in even-numbered fiscal years and 50% of individuals opting for an annual registration schedule are scheduled to renew their vehicles in odd-numbered fiscal years.

While the MVA would not recover the lost revenue from fiscal 2006 and 2007, in any given fiscal year thereafter revenues would not be affected. All such individuals opting for annual renewal would pay their registration fees each year, and the loss of anticipated revenue from biennial fees would be offset by increased collections.

Exhibit 1 illustrates this using the example of 100,000 individuals scheduled to renew their vehicle registration every year, a \$100 annual registration renewal fee, and one-quarter (25,000) of those individuals switching to an annual registration schedule. Given the October 1, 2005 effective date of the bill, this would involve 18,750 switching to an annual registration schedule in fiscal 2006, 25,000 switching to an annual renewal schedule in 2007, and 6,250 switching to an annual renewal schedule in fiscal 2008.

Exhibit 1
Illustrative Example of Revenue Foregone Due to Annual Renewal Option
(\$ in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Law	\$20	\$20	\$20	\$20
Under the Bill				
Individuals Renewing Biennially	16.25	15	15	15
Individuals Renewing on an Annual Basis	1.875	2.5	2.5	2.5
Individuals Now Renewing in this Fiscal Year	\$0	1.875	2.5	2.5
Total	\$18.125	\$19.375	\$20	\$20
Difference in revenue due to an annual renewal option	(\$1.875)	(\$0.625)	\$0	\$0

The MVA advises that computer reprogramming costs would total approximately \$155,000 in fiscal 2006. It also advises that if there were any significant increase in transactions due to individuals switching to an annual renewal schedule, the MVA would require more personnel assistance. In addition, the MVA could incur costs to publicize the annual renewal option.

Legislative Services advises that the MVA surcharge would be set to cover administrative costs, including personnel costs, publicity costs, and computer reprogramming costs. Legislative Services also 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.

Local Fiscal Effect: Local revenue from highway user fees would decrease in fiscal 2006 and 2007. The magnitude of this decrease would depend on the number of individuals that would opt for an annual renewal schedule, which cannot be reliably estimated at this time. Assuming an approximately even number of people scheduled to renew in even fiscal years and people scheduled to renew in odd fiscal years switched to an annual schedule, future year revenues would not be affected.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mp/ljm

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