

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 88

(Senator Miller, *et al.*)

Judicial Proceedings

Environmental Matters

Vehicle Laws - "Fear the Turtle " Scholarship Registration Plates

This bill requires the Motor Vehicle Administration (MVA) to develop a registration plate that honors the diamondback terrapin, which is the State reptile and mascot of the University of Maryland, College Park (UMCP).

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could increase by \$400,000 in FY 2006. Out-year revenue estimates reflect renewals and new registrations. TTF expenditures could increase by \$264,800 in FY 2006. Out-year expenditures reflect inflation and annualization. Potential additional increase in TTF expenditures in FY 2006 only for computer costs. Revenues and expenditures for UMCP scholarships could each increase by \$400,000 in FY 2006.

| (in dollars) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|----------------|-----------|-----------|-----------|-----------|-----------|
| SF Revenue | \$400,000 | \$300,000 | \$300,000 | \$300,000 | \$300,000 |
| Higher Ed Rev. | 400,000 | 300,000 | 700,000 | 600,000 | 1,000,000 |
| SF Expenditure | 264,800 | 157,100 | 152,400 | 154,900 | 157,600 |
| Higher Ed Exp. | 400,000 | 300,000 | 700,000 | 600,000 | 1,000,000 |
| Net Effect | \$135,200 | \$142,900 | \$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 bill directs the MVA to develop and make, in consultation with UMCP, a license plate designed to honor the university's mascot, the diamondback terrapin. The plate must depict the terrapin and include the words "Fear the Turtle."

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, also set by the MVA, to benefit UMCP student scholarships. 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).

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 "Fear the Turtle" plate. The plate may be purchased for the following classes of vehicles:

- Class A (passenger);
- 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).

The MVA must consult with UMCP regarding the plate's design and a schedule for transferring the revenue. It must also set the fee at a level intended to encourage the purchase of the plate, while providing a continuous revenue source to support scholarships at UMCP.

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 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.

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

Background: The diamondback terrapin was made the State reptile and official mascot of UMCP in 1994. However, the terrapin has been affiliated with the university’s athletic program since 1933. In June 2002, UMCP began donating a portion of its proceeds from the sale of “Fear the Turtle” merchandise to fund terrapin research and conservation efforts at the Department of Natural Resources.

Several groups that support the university or its athletic teams have organizational plates issued by the MVA for an extra \$25 fee. An organization with 25 or more members can apply for such a plate that displays a small logo and the organization’s name.

UMCP awarded over \$18 million of institutional aid in fiscal 2003, of which \$5.6 million was need based.

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 University of Maryland. 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> |
|--|-------------|-------------|-------------|-------------|-------------|
| TTF (new issues only) | \$400,000 | \$300,000 | \$300,000 | \$300,000 | \$300,000 |
| Scholarships (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 \$264,784 in fiscal 2006 (accounting for the October 1 effective date) to develop, manufacture, promote, and issue the plate.

This estimate reflects the cost of hiring a part-time manager in fiscal 2006 only and includes a salary, fringe benefits, and one-time start-up costs. 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.

| | |
|---|------------------|
| Salary and Fringe Benefits | \$61,624 |
| Operating Expenses | 12,672 |
| Contractual Costs (manufacturing/promotion) | <u>190,488</u> |
| Total FY 2006 State Expenditures | \$264,784 |

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 specialty 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 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 these programming costs.

Additional Comments: DLS 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: An identical bill, SB 723 of 2004, received an unfavorable report from the Senate Judicial Proceedings Committee. A similar bill, HB 468 of 2004, received an unfavorable report from the House Environmental Matters Committee.

Cross File: None.

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

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