

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1413 (Delegate Impallaria)
Environmental Matters

Motor Vehicle Administration - Vehicle Titles - Prompt Issuance Required

This bill requires the Motor Vehicle Administration (MVA) to issue a title to a motor vehicle within 30 days from the date of application. If a title is not issued by then, the MVA must provide the applicant with a written notice of explanation and either reimburse or credit the applicant for the delay.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures could increase by \$2.7 million in FY 2007 for refunds for late titles and to hire two customer service agents to process refunds. Future year estimates reflect annualization and 1% inflation in operating costs. Revenues would not be affected.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	2,703,300	3,595,000	3,602,300	3,610,100	3,618,300
Net Effect	(\$2,703,300)	(\$3,595,000)	(\$3,602,300)	(\$3,610,100)	(\$3,618,300)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The notice may not specify insufficient staffing as a reason for the delay and must be issued promptly, within seven days after the 30-day period for issuing the

title has passed. The MVA must reimburse, either in cash or credit against the titling fee and taxes, \$1.00 for each day beyond the 30-day period after application that the MVA has not provided both notice and a title. The \$1.00 shall continue to accumulate until the date the notice is issued or the date the title is issued, whichever is later. The amount of this reimbursement cannot exceed the total amount of titling taxes and fees assessed for the vehicle.

Current Law: The owner of each vehicle in the State that has not had the vehicle titled in Maryland must apply to the MVA for a title, with specified exemptions. The MVA must file each application for a certificate of title that it receives and must issue a title if it finds the applicant is entitled to the certificate and it has received the required fees.

Chapter 376 of 2001 extended the period of time for dealerships to remit excise taxes and fees to the MVA to 30 days. The MVA may impose fines on dealerships (not to exceed \$1,000) for each title transaction in violation of the law.

Background: The problem of non-prompt issuance is usually more of a problem when it involves a car purchased in the State, as opposed to vehicles transferring title from out of state. Vehicle dealers have approximately 30 days to transit a completed title application to the MVA. The MVA takes approximately two to three weeks after submission to process the title.

The MVA was cited in the 1999 Office of Legislative Audits' (OLA) audit for the fact that its policy to assess vehicle dealerships for late payment of excise taxes and fees (including titling) did not encourage timely remittances. In 2001, the MVA was again cited by OLA for not adhering to its policy for assessing fines for late payments of excise taxes and fees and was also cited for waiving fines without appropriate documentation. In the most recent OLA audit in 2004, the MVA was cited for having incomplete reports to identify late payments of excise taxes and other fees.

State Expenditures: The MVA issued 1,649,738 titles in fiscal 2005, of which 524,515 were done through the electronic registration and titling (ERT) system, and 192,000 were done through dealer log transactions. The processing time for ERT transactions is five days, while the MVA advises that it takes two weeks to process the title if it is not submitted electronically. In addition, dealers have 30 days to turn in titles and transactions, and the MVA advises that most of the dealers take the full 30 days.

The MVA advises that in fiscal 2005 approximately 5% of ERT transactions, or 26,225, were processed 5 days after the 30-day requirement. In addition, 26,806 titles were turned in more than 30 days after the application date by dealers. According to the MVA, the average number of days late after 30 days for those titles is approximately 18.8 days.

Accordingly, TTF expenditures could increase by an estimated \$2.7 million in fiscal 2007, which accounts for the bill's October 1, 2006 effective date. This estimate reflects the cost of hiring two customer service agents to generate and process 218,226 letters and reimbursements. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses and is based on the following assumptions:

- titling transactions stay constant at fiscal 2005 levels (192,000 dealer log transactions, 524,515 ERT transactions);
- 26,806 titles will be turned in by dealers after 30 days and will be an average of 18.8 days late; all other dealer log transactions will be turned in on the thirtieth day;
- the MVA will take 14 days to process dealer log transactions;
- all reimbursements would be issued by check; and
- 5% of ERT transactions (26,225) will not be processed within 30 days and will be an average of 5 days late.

Based on these assumptions, the MVA would have to issue \$2.5 million in reimbursements in fiscal 2007 and \$3.3 million annually thereafter.

Reimbursements	\$2,496,332
Letters of Explanation	129,790
Salaries and Fringe Benefits	63,749
Start-up Costs	10,270
Operating Expenses	<u>3,135</u>
Total FY 2007 State Expenditures	\$2,703,276

Future year expenditures reflect: (1) annualization of the bill; (2) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

As the bill does not speak of a refund, but a reimbursement or a credit, it is assumed that the MVA will bear the full cost of providing this reimbursement and that local jurisdictions would not be affected.

As vehicle dealers legally have 30 days to transmit titles to the MVA, the MVA cannot compel the dealers to submit titles early to avoid late titles; however, the MVA could use

its ability to fine dealers for late submission to decrease the number of late submissions by dealerships after 30 days and work to improve its transaction processing time. Any such measures would reduce expenditures in future years.

The MVA advises that computer reprogramming costs associated with this bill would total approximately \$270,000. Legislative Services advises that, if other legislation is passed, economies of scale could be realized.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mll/ljm

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