

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 176 (Senator Della)
Judicial Proceedings

Motor Vehicles - Class G (Trailer) Vehicles - Registration

This bill permits the owner of a Class G (trailer) vehicle to register the trailer for one or two years, and provides that the biennial registration fee is double the annual fee for that trailer.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would increase or decrease depending on the year. TTF revenues could increase by \$4.4 million in FY 2007 and decrease by \$3.0 million in FY 2008. TTF expenditures could increase by \$154,300 due to an increased number of registration renewal transactions. Potential increase in TTF expenditures in FY 2007 for computer costs.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$4,440,600	(\$2,960,400)	\$2,960,400	(\$2,960,400)	(\$2,960,400)
SF Expenditure	154,300	183,600	194,700	206,700	219,600
Net Effect	\$4,286,300	(\$3,144,000)	\$2,765,700	(\$3,167,100)	(\$3,180,000)

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

Local Effect: Revenues increase in FY 2007 because registration fee revenue is shared with local jurisdictions through the Gasoline and Motor Vehicle Revenue Account monies distributed as highway user revenues. Future years would fluctuate and reflect the biennial registration schedule.

Small Business Effect: Minimal.

Analysis

Current Law: A Class G (trailer) vehicle must be classified as “freight” or “nonfreight.”

A nonfreight trailer or semitrailer is a vehicle designed for towing by a Class A (passenger), Class M (multipurpose), or a Class E (truck) vehicle. If towed by a Class E vehicle, the truck must have a gross weight of 20,000 pounds or less. If the vehicle is towed by a Class A or Class M vehicle, it must have a gross weight of 10,000 pounds or less, and be a boat, camping, travel, house, or utility trailer.

A freight trailer or semitrailer must be towed by a Class E (truck) or a Class F (tractor) vehicle, and must weigh in excess of 20,000 pounds if towed by a Class E vehicle, or 10,000 pounds if towed by a Class F vehicle.

Unlike other vehicles, trailers are registered on an annual basis, not a biennial basis. The annual registration fee for a freight trailer or semitrailer is \$38.25. The annual registration fee for a nonfreight trailer or semitrailer is based on weight.

<u>Maximum Gross Weight Limit (in pounds)</u>	<u>Fee</u>
3,000 or less	\$25.50
3,001 to 5,000	51.00
5,001 to 10,000	80.00
10,001 to 20,000	124.00

State Revenues: The Motor Vehicle Administration (MVA) advises that as of January 23, 2006, there are 296,041 Class G (trailer) vehicles registered in the State.

The effect of switching to a biennial registration schedule from an annual registration schedule is to essentially transfer the annual registration renewal fee from one year to the next. The increase in registration renewal revenue in the first year is a decrease in registration renewal revenue in the second year.

Assuming that 50% of all Class G (trailer) registration holders elected a two-year registration, approximately 74,010 Class G (trailer) registration holders would switch from an annual registration to a biennial registration. **Exhibit 1** shows the effect of this switch, based on the October 1, 2006 effective date, and the following assumptions:

- 75% of the 50% (or 38% of all Class G (trailer) registrations) switching registrations in fiscal 2007;

- 25% of the 50% (or 12% of all Class G (trailer) registrations) switching registrations in fiscal 2008;
- an average registration fee of \$40 for all Class G (trailer) registrations; and
- the number of Class G (trailer) registrations stays constant.

Exhibit 1
Projected Effect on TTF Revenues from 50% of Class G (trailer) Registration Holders Switching to a Biennial Registration Schedule

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
New registration fees from biennial registrations	\$4,440,615	\$1,480,205	\$0	\$0	\$0
Registration renewal fees from individuals switching in 2007	0	(4,440,615)	4,440,615	(4,440,615)	4,440,615
Registration renewal fees from individuals switching in 2008	\$0	\$0	(1,480,205)	1,480,205	(\$1,480,205)
Total	\$4,440,615	(\$2,960,410)	\$2,960,410	(\$2,960,410)	\$2,960,410

Accordingly, State revenues could increase by approximately \$4.4 million in fiscal 2007, by \$3.0 million in fiscal 2009 and 2011, and decrease by \$3.0 million in fiscal 2008 and 2010.

The TTF retains approximately 70% of all registration fees; accordingly, the State's portion of the revenue gain is \$3.1 million in fiscal 2007 and \$2.1 million in fiscal 2009 and 2011; the State's portion of the revenue loss is \$2.1 million in fiscal 2008 and 2010.

Alternatively, if the number of individuals who chose to switch to a biennial registration schedule was greater, the revenue impact would be greater than estimated.

State Expenditures: The MVA advises that the current mechanical system for processing registration renewals would not be able to process both annual and biennial Class G (trailer) registration renewals; it would have to be set to process one or the other. Therefore, the alternate type of registration would have to be processed by hand. The MVA advises that about 37%, or 109,535, Class G registration renewals would likely be remitted through the mail.

The MVA cannot reliably estimate at this time the number of individuals who would elect to use a biennial registration schedule as opposed to a one-year registration schedule. Assuming that 50% of all Class G registration holders elected a biennial registration, and that the MVA opted to set the mechanical system to process biennial registrations, which are likely to be submitted with a biennial towing vehicle registration, approximately 54,768 registrations annually would need to be processed by hand, or 50% of all Class G registrations remitted through the mail.

The MVA advises that its employee staffing models indicate that one additional person is required for each 13,500 registrations. If 54,768 individuals elected to renew registrations by mail using a biennial schedule, TTF expenditures could increase by an estimated \$154,308 in fiscal 2007, which accounts for the bill's October 1, 2006 effective date. This estimate reflects the cost of hiring four additional customer services agents, grade 10. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$127,498
Equipment	20,540
Operating Expenses	<u>6,270</u>
Total FY 2007 State Expenditures	\$154,308

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

Employee costs could increase if the number of individuals switching to a biennial registration schedule was greater than 50% of all Class G registrations remitted through the mail.

The MVA advises that computer reprogramming costs associated with this bill could total \$285,900 in fiscal 2007. Legislative Services 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 Revenues: Local highway user revenues would increase in fiscal 2007, 2009, and 2011; however, this is accompanied by a decrease in local revenues in fiscal 2008 and 2010.

The exact magnitude of the increase in fiscal 2007 cannot be reliably estimated at this time. The impact would affect 30% of registration fee revenues. Assuming that 50% of all Class G registration holders switched to a biennial registration schedule, this would result in an increase of \$1.3 million in fiscal 2007, a decrease of \$888,123 in fiscal 2008 and 2010, and an increase of \$888,123 in fiscal 2009 and 2011.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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