

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 67 (Delegate Kelly)
 Environmental Matters

Vehicle Laws - Surrender of Registration Card and Registration Plates - Refund of Registration Fee

This bill requires the Motor Vehicle Administration (MVA), on surrender of the registration card and registration plates of a vehicle, to refund one-twelfth of the annual registration fee for each full month remaining in the unexpired registration period.

Fiscal Summary

State Effect: State revenues would decrease by \$15.9 million in FY 2007 and \$21.4 million beginning in FY 2008. The revenue loss in future years reflects annualization and a slight increase in vehicle registration refunds. State Transportation Trust Fund (TTF) expenditures would increase by \$0.5 million in FY 2007. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	(\$15,921,700)	(\$21,441,300)	(\$21,655,700)	(\$21,872,200)	(\$22,091,000)
SF Expenditure	541,600	644,700	683,700	725,700	770,900
Net Effect	(\$16,463,300)	(\$22,086,000)	(\$22,339,400)	(\$22,597,900)	(\$22,861,900)

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

Local Effect: Local government revenues would decrease by \$3.6 million in FY 2007, and by \$4.9 million beginning in FY 2008 due to a decrease in Gasoline and Motor Vehicle Revenue Account (GMVRA) revenues distributed to local governments as highway user revenues.

Small Business Effect: Minimal.

Analysis

Current Law: The MVA must refund the annual registration fee upon surrender of the registration card and registration plates if the return is made before the beginning of any 12-month registration year for which the application for refund is made.

Background: The MVA currently uses a biennial renewal schedule for vehicle registration. In addition to the biennial registration fee, the MVA also charges a \$22 biennial surcharge for the Maryland Institute for Emergency Medical Services System (MIEMSS) and a \$5 biennial surcharge for the Trauma Physician Services Fund (TPSF).

The MVA processed 899,646 registration card and registration plate returns in fiscal 2005. Of those, 319,077 received a refund. In total, the MVA refunded over \$14.7 million for the unused second year of the registration. Of this amount, 20%, or \$2.9 million was refunded from MIEMSS, while \$634,412 (4%) was refunded from the TPSF. Of the remaining \$11.1 million, 30%, or \$3.3 million was taken from highway user revenues distributed to local governments through the GMVRA.

Ten states (Connecticut, Iowa, Kentucky, Michigan, Minnesota, Mississippi, Nebraska, North Carolina, Virginia, and Washington) offer a partial refund for the remaining months of a registration if the registration is surrendered within a year of expiration; of these 10 states, 6 offer the refund under limited circumstances. For example, Minnesota and Mississippi will refund the remaining months of the registration if the vehicle is destroyed; Virginia offers a refund only if the registration has at least six months until it expires.

State Revenues: In total, State revenues would decrease by \$15.9 million in fiscal 2007 and by \$21.4 million beginning in fiscal 2008. The revenue loss affects three State special funds and local government revenues through the local highway user revenue formula. The following summarizes the allocation of the projected revenue loss.

TTF revenues retained by the State would decrease by \$8.5 million in fiscal 2007 and by \$11.4 million beginning in fiscal 2008. MIEMSS revenues would decrease by \$3.1 million in fiscal 2007 and by \$4.2 million beginning in fiscal 2008. The TPSF would decrease by \$0.7 million in fiscal 2007 and by \$0.9 million beginning in fiscal 2008. In sum, State retained revenues would decrease by a total of \$12.3 million in fiscal 2007 and by \$16.5 million beginning in fiscal 2008. Local governments will realize a \$3.6 million revenue loss in fiscal 2007 and a \$4.9 million revenue loss in fiscal 2008 due to reductions in local highway user revenues that come from the GMVRA. **Exhibit 1** summarizes the revenue loss for both the State and local governments in fiscal 2007 and 2008.

Exhibit 1
Projected State and Local Revenue Loss in Fiscal 2007 and 2008

	<u>FY 2007</u>	<u>FY 2008</u>
TTF – State	\$8.5 million	\$11.4 million
MIEMSS	3.1 million	4.2 million
TPSF	<u>0.7 million</u>	<u>0.9 million</u>
Subtotal – State	\$12.3 million	\$16.5 million
TTF – Local Aid	<u>3.6 million</u>	<u>4.9 million</u>
Total	\$15.9 million	\$21.4 million

This estimate is based on the following assumptions:

- the number of registration card and plate returns processed annually remains constant at fiscal 2005 levels (899,646 transactions);
- 289,354 returns either would not be eligible for a refund, or would be eligible for a 12-month or 24-month refund, and as such the amount of their refund would not change;
- 333,302 returns have 1 to 11 months remaining on the registration, and would therefore now be eligible for a refund;
- 276,990 individuals would return registration plates with 13 to 23 months remaining on the registration, and while previously eligible for a refund, would now be eligible for a larger refund; and
- a biennial registration fee of \$143.60 (based on a weighted average of \$140 for Class A (passenger), Class E (truck), and Class M (multipurpose) registration fees, which account for 82% of all registrations, and an average registration fee of \$160 for the other 18% of registrations). This results in a monthly registration fee of \$5.98.

Exhibit 2 shows the projected revenue loss by the additional months to be refunded on an annualized basis for fiscal 2007. The number of additional refunds processed annually includes individuals who would now be eligible for a refund, and individuals who previously would have qualified for a one-year refund, but now are eligible for additional months.

Exhibit 2
Projected Annual Registration Returns
Annualized Impact – Fiscal 2007

<u>Additional Months to be Refunded</u>	<u>Cost Per Refund</u>	<u>Additional Refunds Processed Annually</u>	<u>Revenue Effect of Additional Refund</u>
1	(\$5.98)	67,573	(\$404,087)
2	(\$11.96)	56,342	(\$673,850)
3	(\$17.94)	55,243	(\$991,059)
4	(\$23.92)	55,137	(\$1,318,877)
5	(\$29.91)	55,724	(\$1,666,148)
6	(\$35.89)	55,995	(\$2,009,101)
7	(\$41.87)	54,084	(\$2,263,956)
8	(\$47.85)	53,987	(\$2,582,738)
9	(\$53.83)	53,735	(\$2,892,018)
10	(\$59.81)	52,419	(\$3,134,656)
11	(\$65.79)	<u>50,053</u>	<u>(\$3,292,486)</u>
Total Additional Refund		610,292	(\$21,228,976)

Note: Numbers may not sum exactly to total due to rounding.

State Expenditures: TTF expenditures could increase by an estimated \$541,583 in fiscal 2007, which accounts for the bill's October 1, 2006 effective date. This estimate reflects the cost of hiring 13 customer service agents (grade 10) and 1 fiscal account technician (grade 11) to process 333,302 additional refunds, including performing audits and resolving problem cases. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expense.

Salaries and Fringe Benefits	\$447,748
Start-up Costs	71,890
Operating Expenses	<u>21,945</u>
Total FY 2007 State Expenditures	\$541,583

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.

The MVA advises that it will cost \$225,000 to make internal computer programming changes in fiscal 2007 and \$18,000 in ongoing maintenance. Legislative Services advises that once the changes are made, it should not be more expensive to maintain the new computer system than maintaining the current one; Legislative Services also advises that, if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized and lower these programming costs for the MVA system.

Local Revenues: Local highway user revenues from the GMVRA could decrease by \$3.6 million in fiscal 2007 and by \$4.9 million beginning in fiscal 2008. Revenue losses in future years increase by approximately 1% annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): American Association of Motor Vehicle Administrators, Maryland Department of Transportation, Department of Legislative Services

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ncs/ljm

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