

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

Senate Bill 940 (Senator Hooper, *et al.*)
 Judicial Proceedings

Motor Vehicles - Registration - Show Class Vehicles

This bill creates a new “show” class (Class O) of motor vehicles, requires the Motor Vehicle Administration (MVA) to issue a special registration plate for Class O motor vehicles, and establishes a volunteer review board to approve applications for registration.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would decrease due to decreased registration revenues and emissions inspection revenues for show class vehicles. Special fund revenues for the Maryland Institute for Emergency Medical Services Systems (MIEMSS) and the Trauma Physician Services Fund (TPSF) would also decrease. TTF expenditures would increase by \$139,100 in FY 2008. Potential additional increase in TTF expenditures in FY 2008 only for computer reprogramming expenses. Future expenditures reflect annualization, elimination of start-up costs, and inflation.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	-	-	-	-	-
SF Expenditure	139,400	28,200	29,500	30,900	32,400
Net Effect	(\$139,400)	(\$28,200)	(\$29,500)	(\$30,900)	(\$32,400)

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

Local Effect: Local revenues would decrease from a decrease in revenues distributed through the Gasoline and Motor Vehicle Revenue Account (GMVRA) as highway user revenues.

Small Business Effect: None.

Analysis

Bill Summary: A new registration class (Class O) of “show” vehicles is created, consisting of vehicles that have decorative features or alterations; are maintained for use in parades, holiday or weekend activities, shows, repair facilities, or similar uses; and not used for daily transportation or primarily for the transportation of passengers or property on highways. Show vehicles must be driven less than 5,000 miles annually. Show vehicles will be exempt from any statute requiring periodic inspections, emission controls, or maximum sound limits including the Vehicle Emissions Inspection Program (VEIP). Also, they do not have to comply with equipment provisions.

The Show Class Vehicle Volunteer Review Board consists of four members of the general public; one automotive technician, appointed by the Administrator of the MVA (administrator); and one member from the Department of State Police, appointed by the Secretary of State Police. The MVA must staff the review board. Members are not entitled to compensation but are entitled to reimbursement for expenses. The review board must establish an application process subject to the approval of the administrator for registering show class vehicles, including a requirement that the applicant submit photographs of specified views of the vehicle. In addition, the board must approve or deny the application for registration and verify the mileage of each Class O vehicle annually.

The MVA must set the registration fee in an amount necessary to cover the costs of registering the Class O vehicle, and the MVA is required to issue a special registration plate for these vehicles.

Registrations are not transferable, and when a vehicle is transferred, the new owner must also apply for a show vehicle registration. Unless designated by the MVA as a class of vehicle subject to the \$13.50 surcharge collected for MIEMSS and other related emergency uses, show vehicles would not pay the surcharge.

Current Law: The MVA has several classes of nonstandard vehicles, including historic (Class L) and street rod (Class N) vehicles.

“Historic motor vehicle” is defined as a motor vehicle, including a passenger vehicle, motorcycle, or truck that:

- is 20 years old or older;
- has not been substantially altered from the manufacturer’s original design; and

- meets criteria contained in rules and regulations issued by the MVA.

A “street rod vehicle” is defined as a motor vehicle, that:

- is 25 years old or older; and
- has been substantially altered from the manufacturer’s original design.

At registration, vehicle owners must certify that historic or street rod vehicles are maintained for use in exhibitions, club activities, parades, tours, occasional transportation, and similar use and are not used for daily transportation or primarily for the transportation of passengers or property on highways. Historic and street rod vehicles are exempt from periodic inspections and emission standards.

Historic and street rod registered vehicles are not subject to the \$13.50 surcharge collected for the MIEMSS and related emergency uses. Historic registered vehicles that were manufactured at least 60 years prior to the current model year pay a one-time registration fee of \$50. All other historic registered vehicles pay a biennial registration fee of \$50. Street rod registered vehicles pay a biennial registration fee of \$50.

Registration fee revenue is deposited into the GMVRA in the TTF – 70% is retained in the TTF, and local jurisdictions receive the remainder as highway user revenues.

Background: Although not technically historic or street rod vehicles, many vehicles have been altered to appear primarily in parades and shows and are not intended for daily transportation. Such vehicles could include vehicles modified to look like cartoon animals or furniture.

State Revenues: There is no reliable estimate of how many vehicles would be eligible to be show vehicles; however, the MVA believes as many as 6,000 vehicles could become show vehicles. Further, the MVA advises that it probably would not require show vehicles to pay the MIEMSS and other emergency surcharge.

For illustrative purposes only, assuming that 6,000 vehicles were approved by the review board, State special fund revenues would decrease by \$487,500 in fiscal 2008. This is based on the following assumptions:

- 6,000 vehicles would switch to a Class O (show) registration in fiscal 2008 (assuming that people whose registrations were due to be renewed between July 1, 2007 and September 30, 2007 would choose to garage their vehicles instead of reregistering them);

- the population of show class vehicles does not increase after fiscal 2008;
- a current biennial registration fee of \$140 (based on a weighted average of registration fees for Class A (passenger), Class M (multipurpose), and Class E (truck) vehicles);
- a biennial registration fee of \$51 for show class vehicles (the same as the fee for historic vehicles);
- 3,000 vehicles would otherwise be due to renew their registrations in fiscal 2008, with the other 3,000 due in fiscal 2009;
- the vehicles scheduled to renew registrations in fiscal 2009 would receive a refund of \$83.50 (one year's registration revenue and one year's surcharge revenues, for a total of \$250,500 refunded); and
- 3,000 vehicles would be due to be inspected by VEIP in fiscal 2008, and the other 3,000 would be due in fiscal 2009.

Exhibit 1 summarizes the revenue loss under this scenario in fiscal 2008 through 2012.

Exhibit 1
Projected Special Fund Revenue Loss in Fiscal 2008 through 2012

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 20010</u>	<u>FY 2011</u>	<u>FY 2012</u>
TTF – State Share	\$268,800	\$336,000	\$121,800	\$336,000	\$121,800
MIEMSS	99,000	66,000	66,000	66,000	66,000
TPSF	<u>22,500</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Subtotal State Share	\$390,300	\$417,000	\$202,800	\$417,000	\$202,800
TTF – Local Aid	<u>97,200</u>	<u>126,000</u>	<u>34,200</u>	<u>126,000</u>	<u>34,200</u>
Total	\$487,500	\$543,000	\$237,000	\$543,000	\$237,000

State Expenditures: *For illustrative purposes only*, TTF expenditures could increase by an estimated \$139,442 in fiscal 2008, which accounts for the bill's October 1, 2007 effective date. This estimate reflects the cost of hiring one part-time customer service agent (grade 10) to staff the review board and verify show vehicle mileage annually. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Start-up Costs	\$103,987
Salary and Fringe Benefits	16,413
Review Board Expenses	2,403
Operating Expenses	<u>16,639</u>
Total FY 2008 State Expenditures	\$139,442

Future year expenditures reflect the annualized salary with 4.5% annual increases and 3% employee turnover; the elimination of start-up costs; and 1% annual increases in ongoing operating expenses.

Although the MVA estimates computer reprogramming would total \$270,000, 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: *For illustrative purposes only*, if 6,000 vehicles were registered as show vehicles, local revenues from local highway user revenues from the GMVRA could decrease by \$97,200 in fiscal 2008, \$126,000 in fiscal 2009 and 2011, and \$34,200 in fiscal 2010 and 2012.

Additional Information

Prior Introductions: A substantially similar bill, SB 453 of 2006, received an unfavorable report from the Senate Judicial Proceedings Committee.

Cross File: None.

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

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