

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

Senate Bill 332 (Senator Simonaire)
 Judicial Proceedings

Motor Vehicles - Single Registration Plate and Front Plate Program

This bill requires that the Motor Vehicle Administration issue only one registration plate whenever it issues a new plate. The bill requires that the registration plate be attached to the rear of the vehicle. The Motor Vehicle Administration is required to implement a Front Plate Program that authorizes organizations to provide decorative front registration plates for purchase by individual drivers. The fees for decorative front plates must be set at a level sufficient to allow MVA to recover its costs along with a surplus to be allocated to the organization providing the decorative plate and to the Edward T. Conroy Scholarship Fund.

Fiscal Summary

State Effect: Special fund revenues could increase by \$1.1 million in FY 2009 due to the distribution of surplus program funds to the Edward T. Conroy Scholarship Fund. Transportation Trust Fund net expenditures could decrease by \$94,200 in FY 2009 and by \$890,700 in FY 2010 primarily due to the cost savings associated with issuing only one plate. TTF revenues could increase by \$597,700 in FY 2009 and by \$50,300 in FY 2010 due to the bill's cost-recovery requirement for implementing the Front Plate Program. Out-years reflect elimination of start-up costs and fewer transactions for the new optional front plate.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	\$1,548,900	\$1,275,200	\$630,000	\$630,000	\$630,000
SF Expenditure	(94,200)	(890,700)	(949,900)	(969,000)	(988,600)
Net Effect	\$1,643,100	\$2,165,900	\$1,579,900	\$1,599,000	\$1,618,600

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

Local Effect: None.

Small Business Effect: Small businesses could benefit to the extent that they participate in the Front Plate Program.

Analysis

Bill Summary: The bill repeals the two-tiered system that required certain vehicle classes to attach two registration plates while permitting other classes to attach only one. MVA is authorized to issue only one registration plate to be displayed at the rear of vehicles in all classes except Class F (tractors), which must instead have a front registration plate.

The bill establishes the Front Plate Program in MVA to provide decorative front plates for sale. MVA is authorized to accept applications from organizations desiring to participate in the program. Applicants must either provide the decorative plates or submit a design and arrange to have the plates provided by Maryland Correctional Enterprises. MVA is required to collect fees from organizational applicants as well as individuals purchasing the plates and set the level of fees sufficient to recover the costs of the program with a surplus. MVA has to forward one portion of the fee surplus to the specific organizational applicant that provided the plate that was purchased and another portion to the Edward T. Conroy Scholarship Fund.

Current Law: All vehicles are required to display two registration plates, unless they are in one of three vehicle classes. Class D (motorcycle), Class F (tractor), and Class G (trailer) vehicles are exempt from the two registration plate requirement. Class F vehicles are required to display the registration plate on the front of the vehicle. Historic and antique vehicles must display current registration plates in the places provided on the vehicle. In addition, MVA must issue only one plate for vehicles with temporary registration.

Each registration plate must display the name of the State and the registration number assigned to the vehicle. After the plates have been issued, MVA may order their continued use in subsequent registration years and must issue a validation tab to show payment of the vehicle registration fee.

An owner of a motor vehicle may not drive the vehicle or permit it to be driven on any highway in Maryland without validated registration plates, unless otherwise expressly authorized by MVA. Expired registration plates may not be displayed. A violation of these provisions is a misdemeanor, subject to a penalty not exceeding \$500.

The Maryland Higher Education Commission administers the Edward T. Conroy Scholarship Fund. The fund provides scholarships to qualifying Maryland residents attending a Maryland post-secondary educational institution. The scholarships may not exceed the cost of attendance, or \$18,300, whichever is less.

Scholarships may be granted to:

- sons and daughters of members of the U.S. armed forces who died as a result of military service or who suffered a service-connected 100% permanent disability as a result of military service;
- a veteran who suffers a service-connected disability of 25% or greater as a result of military service and has exhausted or is no longer eligible for federal veterans' educational benefits;
- POWs/MIAs of the Vietnam Conflict and their sons and daughters;
- sons, daughters, and surviving spouses (who have not remarried) of victims of the September 11, 2001 terrorist attacks who died as a result of the attacks on the World Trade Center in New York City, the attack on the Pentagon in Virginia, or the crash of United Airlines Flight #93 in Pennsylvania;
- sons, daughters, and surviving spouses (who have not remarried) of State or local public safety employees or volunteers who died in the line of duty or who sustained an injury in the line of duty that rendered the public safety employee or volunteer 100% disabled; or
- State or local public safety employees or volunteers who became 100% disabled in the line of duty.

Background: According to the National Conference of State Legislatures, as of July 2007, 20 states, including Delaware and Pennsylvania, issued one registration plate for all vehicle classes. The remaining 30 states required two plates. Several states only required one for certain types of vehicles such as motorcycles, trailers, or all-terrain vehicles. Kansas issued two plates, but allowed the vehicle owner to decide whether to display one or two plates.

A report by the National Conference of State Legislatures describes advantages and disadvantages of a two-plate system. Supporters of such a system contend that a front and rear license plate help vehicle law enforcement and increase safety. Disadvantages of issuing two plates include potential fraud, particularly when only one has to be displayed, because the recipient can use one of the plates for an unregistered vehicle and avoid paying registration taxes.

State Fiscal Effect: Net TTF expenditures could decrease by \$94,189 in fiscal 2009 and by \$890,702 in fiscal 2010 primarily due to the cost savings associated with issuing only one registration plate. The net TTF expenditure decrease in fiscal 2009 is significantly lower than in the out-years after factoring in the substantial start-up costs incurred to implement the Front Plate Program. TTF expenditures could increase by \$597,739 in fiscal 2009 due to the cost of hiring additional contractual personnel, reimbursing MCE for a new front plate press, and promoting the new program. As demonstrated in **Exhibit 1**, the cost savings outweigh the new expenditures, and the revenue increase from the decorative plate fee would be sufficient to cover those costs as well as provide revenues to the Edward T. Conroy Scholarship Fund.

Exhibit 1
Expenditures and Revenues Under SB 332

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
<u>TTF Expenditures</u>					
Increase Due to New Program					
Machine Press	\$550,000				
Contractual Personnel	37,319	\$50,319	\$10,000	\$10,000	\$10,000
Promotion	10,000				
Subtotal	\$597,739	\$50,319	\$10,000	\$10,000	\$10,000
Decrease Due to Single Plate					
Materials	(\$636,413)	(\$865,521)	(\$882,831)	(\$900,488)	(\$918,498)
Mailing	(555,515)	(75,500)	(77,010)	(78,551)	(80,122)
Subtotal	(\$691,928)	(\$941,021)	(\$959,942)	(\$979,039)	(\$998,619)
Net TTF Savings	(\$94,189)	(\$890,702)	(\$949,942)	(\$969,039)	(\$988,619)
<u>New Fee Revenue</u>					
	\$2,500,000	\$2,500,000	\$1,250,000	\$1,250,000	\$1,250,000
To Scholarship Fund	\$951,131	\$1,224,841	\$620,000	\$620,000	\$620,000
To Plate Providers	\$951,131	\$1,224,841	\$620,000	\$620,000	\$620,000
TTF Cost Recovery	\$597,739	\$50,319	\$10,000	\$10,000	\$10,000

This fiscal estimate is based on the following information and assumptions:

- MVA estimates that it will issue registration plates to 921,500 registered Class A, E, and M vehicles in 2008;

- 2% annual growth in registered vehicles;
- because the current registration fees set in statute remain unchanged, revenues due to the registration process itself would not be affected by the bill;
- 100,000 decorative front plates would be sold in each of the first two fiscal years, despite the October 1 effective date, and an average of 50,000 plates would be sold in fiscal 2011 through 2013;
- MVA would set the fee for an optional decorative plate at \$25 each to be competitive with special registration plates while still ensuring sufficient money to recover costs due to this program and generate a surplus; and
- the program surplus derived from decorative front plate revenues after MVA cost recovery would be allocated one-half to the Edward T. Conroy Scholarship Fund and one-half to each of the decorative front plate providers.

Additional Comments: Legislative Services notes the bill requires MVA to issue only one plate, but it does not require that each existing registered vehicle have only one plate. If all registered vehicles were required to have only one plate, the costs of implementing this standard would increase substantially but the standard could significantly reduce the potential for fraud. For example, requiring all registered vehicles to comply immediately, or within a specified phase-in period, would necessitate that MVA retain a substantial number of contractual employees to collect the existing front plates. In addition, a contractual program administrator or auditor would be necessary to account for all front plates.

Additional Information

Prior Introductions: Bills implementing a single registration plate requirement were introduced during the 2004, 2003, and 2001 sessions. SB 299 of 2004 and SB 61 of 2003 were heard by the Senate Judicial Proceedings Committee, where an unfavorable report was issued. HB 265 of 2004 and HB 111 of 2003 were heard by the House Environmental Matters Committee but were later withdrawn. HB 475 of 2001 received an unfavorable report from the House Commerce and Government Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 9, 2008
mll/ljm

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