

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 793 (Senator Klausmeier, *et al.*)
 Judicial Proceedings

Vehicle Laws - Motor Scooters - Licensing, Titling, Registration, and Insurance

This bill incorporates a motor scooter within the definition of a vehicle and a motor vehicle, and as such, requires a motor scooter to be titled and registered and the driver of a motor scooter to possess a specified class of driver’s license and required security generally in the form of a vehicle liability insurance policy.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) and other special fund revenues may increase by about \$495,900 in FY 2010 due to the collection of title and registration fees, title lien fees, and excise taxes, and under the assumptions discussed below. General fund revenues may then decrease by \$133,200 in FY 2010 due to lost sales and use tax revenue associated with newly purchased motor scooters. TTF expenditures may increase by \$136,300 in FY 2010 for the cost of hiring one additional full-time customer agent and retaining the services of two part-time contractual employees to handle the estimated number of additional transactions. TTF expenditures may increase further for contractual computer reprogramming services.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	(\$133,200)	(\$148,200)	(\$153,600)	(\$160,000)	(\$164,500)
SF Revenue	\$495,900	\$251,100	\$463,000	\$266,100	\$537,000
SF Expenditure	\$136,300	\$55,900	\$82,400	\$61,500	\$93,700
Net Effect	\$226,500	\$47,100	\$227,000	\$44,600	\$278,800

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

Local Effect: Local revenues increase minimally due to the distribution of additional highway user revenues.

Small Business Effect: Potential minimal effect on small business motor scooter dealers.

Analysis

Bill Summary: A motor scooter is designated as a Class S vehicle subject to an annual registration fee of \$35, plus required surcharges; the application for registration of a motor scooter must be transmitted electronically. If the application is transmitted electronically by a licensed dealer, it must be submitted within 30 days of delivery of the motor scooter.

The bill repeals the authorization for the holder of a moped operator's permit to drive a motor scooter.

The bill also exempts motor scooters from (1) the requirement to have specified equipment; (2) the prohibition against offering for sale, or driving, a vehicle that is not equipped with specified equipment in proper condition; (3) inspection by the Department of State Police's Automotive Safety Enforcement Division for compliance with equipment standards; and (4) inspection under the Motor Vehicle Emissions Inspection program (VEIP).

Current Law: A "motor scooter" is a nonpedal vehicle that meets certain technical specifications including a motor that is under a specified horsepower or displacement capacity. A motor scooter may not be operated at more than 30 miles per hour or on a roadway with a maximum speed limit of more than 50 miles per hour.

A motor scooter is not defined as a motor vehicle under the Transportation Article. A "vehicle" is defined as a device in, on, or by which an individual or property is or might be transported or towed on a highway. Such vehicles, with some exceptions, must be titled and registered.

The application for a vehicle certificate of title has to be made by the owner of the vehicle on the form that MVA requires. However, MVA is authorized to develop and implement an electronic system for the issuance of certificates of title and the recording and releasing of security interests. The electronic system is designed to transmit vehicle data to and from licensed dealers. The application for registration of a low-speed vehicle must be made by electronic transmission. If a licensed dealer sells a low-speed vehicle, the dealer must electronically transmit a completed application for registration from the purchaser within 30 days of the date of vehicle delivery. Each vehicle registration is subject to a registration fee based on the vehicle classification and an annual surcharge of

\$13.50, payable to the Maryland Trauma Physician Services Fund and the Maryland Emergency Medical System Operations Fund (MEMSOF).

An individual may not attempt to drive a motor vehicle on any highway in the State unless he or she holds a driver's license, is expressly exempt from licensing requirements, or is otherwise specifically authorized to drive the class of vehicle that the individual is driving or attempting to drive. A person may not operate a motor scooter if the person does not possess a driver's license or moped operator's permit.

MVA is prohibited from issuing or transferring a vehicle registration unless the owner or the prospective owner produces satisfactory evidence of required security. The owner of a motor vehicle that is required to be registered in this State has to maintain the required security for the vehicle during the registration period.

Every vehicle driven on a highway in the State must be equipped with certain equipment meeting or exceeding standards established jointly by MVA and the Department of State Police's Automotive Safety Enforcement Division. Farm equipment, road machinery, road rollers, and farm tractors are exempted from provisions in the Transportation Article that require certain vehicle equipment and prohibit a person from offering for sale, or driving, a vehicle that is not equipped with specified equipment in proper condition.

Before MVA titles and registers a used vehicle, it must require the applicant to present a valid inspection certificate for the vehicle. In addition, motor vehicles must be inspected and tested every other year under VEIP. A motor scooter is not defined as a motor vehicle under the Transportation Article.

Background: The record spike in gas prices during the spring and summer of 2008 is one of the factors contributing to the popularity of motor scooters. Also, many people regard motor scooters as more efficient than automobiles for short trips. They achieve about 70 miles per gallon of gas and are also considered more environmentally friendly than automobiles. According to the Motorcycle Industry Council, about 131,000 motor scooters were sold nationally in 2007. However, traffic safety advocates have begun to express concerns about the increasing number of motor scooters on high-speed thoroughfares since they cannot achieve the speeds of automobiles, making integration with automobile traffic difficult.

State Expenditures: TTF expenditures may increase by \$136,260 in fiscal 2010, which accounts for the bill's October 1, 2009 effective date. This estimate reflects the need to hire at least one additional full-time customer agent and retain the services of two part-time contractual employees at MVA to process the additional transactions. MVA advises that, generally, one customer agent is required for each additional 10,000 transactions. The estimate includes a salary, fringe benefits, one-time start-up

costs, contractual computer reprogramming services, and ongoing operating expenses, including the cost for procuring additional registration tags and stickers, renewal notices, and title paper as well as postage costs with MVA customers.

	<u>FY 2010</u>	<u>FY 2011</u>
Position	1	0
Salary and Fringe Benefits	\$35,728	\$48,563
Contractual Services	61,000	0
Start-up Costs and Operating Expenses	<u>39,532</u>	<u>7,310</u>
Total FY 2010 State Expenditures	\$136,260	\$55,873

Future year expenditures reflect a full salary with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

In addition to the contractual services necessary to reprogram specific MVA systems, MVA advises that internal computer reprogramming is necessary to implement the requirements of this bill. If MVA is unable to accomplish the estimated 1,400 additional hours of computer reprogramming with existing staff and resources, it may be necessary to contract with an outside computer services vendor at a cost of between \$175,000 and \$700,000. Legislative Services advises that, if other legislation is passed requiring computer reprogramming changes, economies of scale may be realized should it be necessary to retain outside contractual services; this reduces the costs associated with this bill and the other legislation affecting MVA.

The Department of Legislative Services further advises that these estimated MVA expenditures may change due to the uncertainty inherent in the assumptions discussed below.

State Revenues: The bill requires the titling and registration of motor scooters, as well as the licensing of motor scooter operators. MVA advises that an indeterminate percentage of current motor scooter operators is not eligible for a driver's license. The Department of Legislative Services advises that, without this data, a reliable estimate cannot be made as to how many motor scooters will be titled and registered.

Nevertheless, TTF revenues will increase beginning in fiscal 2010 due to the collection of title and registration fees, title lien fees, and excise taxes. Likewise, revenues for the Maryland Trauma Physician Services Fund and MEMSOF increase due to registration surcharges. General fund revenues will decrease due to lost sales and use tax revenue associated with newly purchased motor scooters as State law prohibits the collection of a sales and use tax when an excise tax is being collected for TTF. TTF and other special

fund revenues may increase and general fund revenues may decrease as shown in **Exhibit 1** under the assumptions provided below.

Exhibit 1
Revenue Sources and Collection Estimates

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Registration Fees*	\$205,411	\$57,733	\$264,299	\$60,066	\$325,566
Title Fees	151,260	42,514	43,364	44,231	45,116
Title Lien Fees	6,050	1,701	1,735	1,769	1,805
Excise Tax Revenue	140,670	156,450	162,181	168,963	175,952
TTF Sales Tax Revenue	(7,456)	(8,292)	(8,596)	(8,955)	(11,437)
GF Sales Tax Revenue	(133,214)	(148,158)	(153,585)	(160,008)	(164,515)
Net Revenue Collected	\$362,721	\$101,948	\$309,398	\$106,066	\$372,487

* Registration fees include required surcharges

The revenue projection illustrated in Exhibit 1 is based on the following assumptions and MVA fees:

- according to the Motorcycle Industry Council, 1,042 motor scooters were purchased in 2008;
- 2% annual growth in motor scooter purchases;
- a purchase price of \$3,000, with 2% annual inflation;
- sales tax revenues are shared with TTF under current law;
- the excise tax is only collected on newly purchased motor scooters;
- in the first year, all newly purchased motor scooters and 80% of currently owned motor scooters will be titled and registered;
- the remaining 20% of currently owned motor scooters will not be titled or registered due to ineligibility to operate a motor scooter;
- a negligible number of new driver's licenses will be issued under the bill;
- MVA title fees of \$50 and title lien fees of \$20;
- MVA estimates that 10% of motor scooters are secured with a lien; and
- MVA administers a biennial vehicle registration cycle.

Local Revenues: Under the assumptions discussed above, local revenues may increase by about \$97,290 in fiscal 2010 due to an increase in titling tax revenues distributed

through the Gasoline and Motor Vehicle Revenue Account as highway user revenues, as well as the increase in registration fees, which are also shared with local governments.

Additional Information

Prior Introductions: None.

Cross File: HB 650 (Delegate Olszewski, *et al.*) - Environmental Matters.

Information Source(s): Judiciary (Administrative Office of the Courts), Maryland Department of Transportation, Department of Legislative Services

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