

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE

House Bill 961 (Delegate Olszewski)
Environmental Matters

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 increase by about \$998,900 in FY 2012 due to the collection of title and registration fees, title lien fees, and excise taxes, and under the assumptions discussed below. This estimate includes the local share of highway user revenues. General fund revenues may then increase by about \$99,500 in FY 2012 due to the distribution of various vehicle-related revenues, which is partially offset by lost sales and use tax revenue associated with newly purchased motor scooters. TTF expenditures may increase by about \$127,000 in FY 2012, for the Motor Vehicle Administration (MVA) to hire one additional full-time customer agent and two temporary contractual customer agents to handle additional transactions, and for contractual reprogramming costs.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	\$99,500	(\$75,500)	(\$37,900)	(\$78,100)	(\$41,900)
SF Revenue	\$998,900	\$157,600	\$393,200	\$163,500	\$400,600
SF Expenditure	\$127,000	\$52,600	\$57,800	\$58,600	\$64,000
Net Effect	\$971,400	\$29,500	\$297,600	\$26,800	\$294,700

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 by a licensed dealer 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.

Motor scooters are 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. A person may not operate a motor scooter if the person does not possess a driver's license or moped operator's permit. Motor scooters are also not subject to the same requirements as other vehicles for equipment standards, inspections, including VEIP, and the required security provisions. In addition, motor scooters are subject to separate rules of the road, which are generally similar to those applicable to bicycles.

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. However, traffic safety advocates have expressed 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 \$127,007 in fiscal 2012, which accounts for the bill's October 1, 2011 effective date. This estimate reflects the need to

hire one full-time customer agent and retain the services of two part-time contractual employees at MVA during fiscal 2012 only to process the additional transactions. MVA advises that, generally, one customer agent is required for each additional 10,000 transactions. The two contractual employees are needed in fiscal 2012 only due to the large initial increase in title and registration transactions for existing motor scooters. The estimate includes salaries, 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 2012</u>	<u>FY 2013</u>
New Contractual Positions (Full-time Equivalent (FTE))	1.0	(-1.0)
New Permanent Positions (FTE)	1.0	0
Salaries and Fringe Benefits	\$73,525	\$50,068
Contractual Services	49,644	1,883
Start-up Costs and Operating Expenses	<u>3,838</u>	<u>685</u>
Total State Expenditures	\$127,007	\$52,636

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 1,500 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 that is potentially greater than \$100,000. 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, and requires motor scooter owners to maintain required security. MVA advises that an indeterminate percentage of current motor scooter operators are not eligible for a driver's license. The Department of Legislative Services advises that, without such 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 2012 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 the Maryland Emergency Medical System Operations Fund increase due to registration surcharges. General fund revenues will generally 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. In fiscal 2012 only, general fund revenues likely increase as a result of the distribution of vehicle related fees and taxes from a large number of existing motor scooters being titled and registered for the first time. 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 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Registration Fees*	\$307,975	\$49,470	\$322,059	\$51,469	\$324,098
Title Fees	158,750	25,500	26,010	26,530	27,061
Title Lien Fees	5,600	1,020	1,040	1,061	1,082
Excise Tax Revenue	666,750	108,171	110,334	113,667	115,940
TTF Net Revenue**	859,153	133,931	275,426	138,830	281,746
GF Net Revenue	99,541	(75,510)	(37,868)	(78,117)	(41,852)
Net State Revenue Collected	\$1,044,418	\$72,191	\$327,203	\$75,039	\$330,107
Local Share of TTF	54,007	9,919	28,149	10,389	28,628
Total Net Revenue	\$1,098,425	\$82,110	\$355,352	\$85,428	\$358,735

*Registration fees include required surcharges.

**Reflects State share only.

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

- according to the Motorcycle Industry Council, 498 motor scooters were purchased in 2010;
- 2% annual growth in motor scooter purchases;
- a purchase price of \$3,000, with 1% 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;
- the average annual cost to insure a motor scooter is assumed to be \$600;
- 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 \$54,007 in fiscal 2012 due to an increase in registration and titling tax revenues distributed through the Gasoline and Motor Vehicle Revenue Account as highway user revenues.

Additional Information

Prior Introductions: HB 650/SB 793 of 2009 received hearings in the House Environmental Matters and Senate Judicial Proceedings committees, respectively, but were withdrawn.

Cross File: None.

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

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mm/ljm

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