

Department of Legislative Services
 Maryland General Assembly
 2012 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 111 (Chair, Judicial Proceedings Committee)(By Request -
 Departmental - Transportation)

Judicial Proceedings

Environmental Matters

Vehicle Laws - Identification Cards and Drivers' Licenses - Period of Validity

This departmental bill increases the maximum validity period, from five years to eight years, for all identification cards and for driver’s licenses held by individuals age 21 or older. However, the maximum validity period must still be determined in regulations adopted by the Motor Vehicle Administration (MVA).

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by about \$5.4 million in FY 2013, which reflects the bill’s effective date, and by more than \$4.2 million annually, assuming MVA develops regulations to implement the bill that reflect current plans. MVA workloads increase minimally in FY 2013 for internal computer reprogramming. In addition, MVA may realize a significant increase in operational efficiency, beginning in FY 2018, when fewer transactions are required for driver’s license and identification card renewals due to longer validity periods.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
SF Revenue	\$5,364,300	\$4,210,300	\$6,222,700	\$6,634,000	\$7,310,000
SF Expenditure	0	0	0	0	0
Net Effect	\$5,364,300	\$4,210,300	\$6,222,700	\$6,634,000	\$7,310,000

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

Local Effect: The bill is not anticipated to materially affect local operations or finances.

Small Business Effect: The Maryland Department of Transportation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: The maximum validity period for an identification card is five years for an applicant younger than 65 and eight years for an applicant 65 or older. Currently, through regulations, MVA has set the validity period for identification cards for all applicants at five years. The maximum validity period of a driver's license for all applicants older than age 21 is five years. The current driver's license fees are \$45 for a new card, and \$30 for a renewal (which amounts to \$9 per year for a new license and \$6 per year for a renewal license). The current fee for a new or renewed identification card fee is \$15 (which amounts to \$3 per year).

Background: MVA advises that it has carefully examined the implications involved with transitioning to an eight-year validity period for most driver's licenses and identification cards. According to MVA, 15 other jurisdictions currently issue driver's licenses with an eight-year validity period, and law enforcement officials in these jurisdictions have not reported any problems with outdated photo identification. An eight-year validity period also corresponds with the maximum period of validity permitted under federal law.

State Revenues: To mitigate any potential disruptions to revenue flows from the transition to longer validity periods for driver's license and identification card issuances as authorized by the bill, MVA advises that all newly issued documents will come with an eight-year validity period, but it intends to gradually phase in the transition for renewals. If the regulations and ultimate implementation of the bill by MVA reflect current plans, then driver's license and identification card applicants will be charged a greater amount to cover the longer validity period, but at the same annualized fee. **Exhibit 1** illustrates the preliminary MVA plan for issuance of driver's licenses and identification cards for each year between fiscal 2013 and 2020, as well as the anticipated increase in associated revenues and the decrease in transactions.

This estimate of the increase in TTF revenues and decrease in transactions is based on the following information and assumptions: (1) the number of documents coming due for renewal each year is based on the current renewal cycle; (2) no increase in the number of new driver's licenses in future years; (3) no increase in the number of identification cards in future years; (4) renewals for individuals age 70 or older are issued documents with a five-year validity period during the transition; and (5) the number of transactions per document issuance remains the same in future years. The estimate also reflects no increase in the validity period for commercial driver's licenses. Finally, the fiscal 2013 estimate reflects the bill's October 1, 2012 effective date.

Exhibit 1
Preliminary Transition Plan for License and ID Card Issuance
Fiscal 2013-2020

<u>Fiscal Year</u>	<u>Validity Period of Renewals</u>			<u>Revenue Increase</u>	<u>Transaction Decrease</u>
	<u>5-year</u>	<u>6-year</u>	<u>8-year</u>		
2013	75%		25%	\$5,364,297	-
2014	85%	15%		4,210,278	-
2015	75%	10%	15%	6,222,650	-
2016	50%	35%	15%	6,634,033	-
2017	45%	35%	20%	7,310,009	-
2018	30%	15%	55%	6,040,937	154,368
2019	55%		45%	5,468,767	127,120
2020	65%	10%	25%	<u>4,819,028</u>	<u>83,114</u>
			Totals	\$46,070,000	364,602

Source: Motor Vehicle Administration

Legislative Services advises that TTF revenues may increase by less than the amount shown in Exhibit 1 in fiscal 2018 through 2020 due to an undercounting of document renewals associated with new issuances under current law. Further, Legislative Services advises that an independent fiscal estimate will be conducted when MVA submits its final transition plan reflected in proposed regulations to the Administrative, Executive, and Legislative Review Committee.

State Expenditures: According to MVA, in addition to developing regulations to effect a gradual transition to the eight-year validity period, about 500 hours of computer programming changes will need to be made to the driver's licensing and mainframe systems. However, MVA advises that these changes can be handled with existing resources. Further, any additional workload in fiscal 2013 will be fully offset by operational efficiencies associated with driver's licensing and identification card issuance and renewals. However, these efficiencies will not begin to be realized until fiscal 2018 once the first driver's license and identification card transactions that would have occurred under current law are avoided due to the longer duration of validity periods under the bill.

Additional Comments: The decrease in the number of future driver's license and identification card transactions may result in an indirect decrease in State general, special, and nonbudgeted fund revenues and local income tax revenues beginning in fiscal 2018.

The Budget Reconciliation and Financing Act of 2011 (Chapter 397) established a tax clearance program to be implemented by MVA and the Comptroller's Office, whereby MVA must refuse to issue or renew a vehicle registration or driver's license for an individual who has not paid, or made arrangements to pay, all undisputed taxes and unemployment insurance contributions. Thus, a decrease in the number of driver's license transactions reduces the opportunities to verify the delinquency status of individuals.

However, because vehicle registrations must be renewed biennially, the bill is not anticipated to significantly interfere with this ongoing tax enforcement effort. Further, by fiscal 2018, the first year that the number of transactions decreases under the bill, the amount expected to be collected through the MVA tax clearance program is expected to be significantly less than the projection for fiscal 2013, based on experience with other tax enforcement programs. Typically, the first several years yield the greatest amount in taxes collected, as a significant share of the total accrued delinquencies from prior years is satisfied, while future year collections reflect only the number of new delinquencies that occur annually. The Comptroller's Office advises that the MVA tax clearance program has resulted in the collection of \$11.4 million – most of which is from individual income tax revenues – to date, with \$26.9 million projected to be collected in fiscal 2012 and \$85.7 million in fiscal 2013, which reflects the balance of payments for a significant number of delinquencies from individuals that entered into payment plans with the Comptroller in fiscal 2012. Thus, according to the Comptroller's Office, most of the impact has been on the general fund, and about one-third of the amount is local income tax revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 30, 2012
ncs/ljm Revised - Updated Information - March 21, 2012

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Vehicle Laws – Identification Cards and Drivers’ Licenses – Period of Validity

BILL NUMBER: SB 111

PREPARED BY: Maryland Department of Transportation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

If enacted, the bill would reduce the MVA’s operational costs and improve efficiency by allowing employees to focus on more complex transactions that must be handled in person.