

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1425 (Delegate McDermott)
Environmental Matters

Motor Vehicle Registration - Special Vintage Reproduction License Plate

This bill requires the Motor Vehicle Administration (MVA) to provide a specially designed vintage reproduction registration plate to a qualifying vehicle owner. The bill specifies required design elements of the vintage plate as well as the classes of vehicle that may display the plate. The bill also establishes initial registration and renewal fees for recovery of the costs of issuing the plate and for distribution to the Gasoline and Motor Vehicle Revenue Account (GMVRA).

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures increase for MVA to develop and issue the new registration plate. TTF and GMVRA revenues increase by a similar amount between FY 2013 and 2017 from the collection of the newly authorized fees, and from a minimal increase in the collection of registration plate replacement fees. However, to the extent that MVA sets the fee to recover the cost of issuing the plate over a five-year period, it is likely that TTF expenditures will significantly exceed revenues, perhaps by more than \$100,000 in FY 2013 and 2014, while revenues will significantly exceed expenditures beginning in FY 2015.

Local Effect: Negligible increase in local highway user revenues distributed from GMVRA beginning in FY 2013.

Small Business Effect: Minimal or none.

Analysis

Bill Summary: To be eligible to receive a vintage reproduction registration plate, the vehicle for which the plate is to be affixed must be a Class A (passenger), Class B (for hire), Class E (small truck), Class M (multipurpose), or Class N (street rod) vehicle.

The vintage reproduction plate must be designed to resemble the 1910 Maryland registration plate, which has black lettering on a yellow background, and must be made of stainless steel or porcelain.

Current Law: A vintage registration plate is a Maryland plate that was issued at least 25 years prior to January 1 of the current year. The vintage plates must have been issued in the same year as the model year of the motor vehicle on which the plates are displayed, and the plates are valid for only as long as the title remains with the person who submitted the application for the plates.

Generally, an historic (Class L) vehicle may display, along with the current (normal) registration plates, two vintage registration plates in a location on the vehicle other than where current registration plates are required to be placed. However, MVA may authorize the display of vintage plates in lieu of current plates if vintage registration plates were issued in the same year as the model year of the motor vehicle and the owner files an application with a one-time registration fee of \$25.50. If MVA authorizes the display of vintage plates in lieu of current plates, the vintage plates must be displayed in the location where current registration plates are generally required, and the current plates must be kept in the vehicle at all times.

A Class L (historic) vehicle is defined as a motor vehicle that is at least 20 years old, has not been substantially altered, and meets relevant regulations. A Class N (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. Historic motor vehicles and street rods must be for use only in exhibitions, club activities, parades, tours, occasional transportation and similar use, and may not be used for daily transportation or primarily for the transportation of passengers or property on highways.

Background: A number of states authorize vintage "year of manufacture" registration plates to be displayed on antique, historic, or other special vehicles. Such plates are popular among owners and collectors of both antique vehicles and antique registration plates.

In 1910, Maryland became one of the first states to issue vehicle registration plates. Original 1910 Maryland registration plates are now very rare and coveted by antique

registration plate collectors, which have valued such plates at several thousand dollars when in good condition.

In 2011, the Delaware Department of Transportation began issuing reproductions of vintage registration plates to vehicle owners. The Division of Motor Vehicles partnered with a company to produce stainless steel and porcelain reproductions of vintage Delaware registration plates, which may be purchased for an additional fee of \$100. The vintage reproduction plates contain only five-digit registration plate numbers. Low number registration plates are highly sought-after, may be sold for large amounts of money at auction, and have been reserved by several states for certain persons or for auctions.

State Fiscal Effect: The bill requires that the fee for the new registration plates be set to recover the costs associated with the plate's issuance and also to support GMVRA. MVA advises that it would set the fee to recover the cost of issuing the new registration plate over a five-year period; though in any given year between fiscal 2013 and 2017, the net fiscal effect on the TTF may be either significantly positive or negative.

Legislative Services advises that a reliable fiscal estimate cannot be made due to significant uncertainty regarding the demand for such registration plates. However, *for illustrative purposes only*, TTF expenditures may increase by nearly \$965,000 over a five-year period, including \$278,050 in fiscal 2013, under the following assumptions and information:

- MVA projects that 6,100 individuals may purchase the new registration plates over the five-year period between fiscal 2013 and 2017, which includes an assumption by Legislative Services of 1% growth in the out-years;
- MVA advises that, based on an estimate received by a vendor, each pair of plates will cost about \$149 to produce and about \$4 to ship to the vehicle owner; and
- MVA estimates plate design and development costs of about \$10,000 in fiscal 2013 and has received an estimate for outside computer reprogramming cost of \$25,238 in fiscal 2013.

This estimate does not include any expenses for internal computer reprogramming costs, which is assumed to be handled by MVA with existing resources. In addition, the estimate assumes that the demand for the new plates will not generate enough additional transactions to warrant hiring customer service personnel for MVA branches.

In order to recover these costs over a five-year period, the new fee would need to be set at roughly \$90. However, the bill specifies that a portion of the fee must also be distributed to GMVRA. Because the amount necessary to recover costs is relatively high, MVA advises that it would charge only an additional \$5 for the portion of the fee that supports

GMVRA in order to keep the overall fee amount from becoming unreasonably high. Thus, a fee of \$95 could be charged for the vintage registration plates.

Assuming a fee of \$95, TTF revenues increase by \$169,000 in fiscal 2013, which includes a portion of the funds disbursed in GMVRA and then distributed to TTF, as well as an additional \$17,000 due to the collection of registration plate replacement fees for individuals who choose to purchase the new registration plate before their current registration period expires. Thus, under the information and assumptions discussed above, TTF expenditures could exceed revenues by \$109,850 in fiscal 2013, but TTF revenues could exceed expenditures by about \$17,500 over the five-year period between fiscal 2013 and 2017 as shown in **Exhibit 1**.

Exhibit 1
Illustrative Vintage Registration Plate Program Revenues and Expenditures
Fiscal 2013-2017

Revenues	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Cost Recovery Fee	\$144,000	\$126,900	\$235,800	\$219,600	\$185,400
Tag Replacement Fee	17,000	8,000			
GMVRA ¹	7,200	6,373	11,842	11,029	9,311
Total Revenues	\$169,000	\$141,950	\$248,900	\$231,800	\$195,700
Expenditures	\$278,050	\$214,676	\$155,876	\$157,405	\$158,933
Net Fiscal Effect	(\$109,850)	(\$73,403)	\$91,766	\$73,224	\$35,778
			Five-year net	\$17,516	

¹GMVRA revenues reflect only the amount distributed to TTF and exclude local highway user revenues.

Source: Department of Legislative Services, Maryland Department of Transportation

Legislative Services advises that, because TTF revenues would exceed expenditures on an annual basis after fiscal 2017, MVA could either lower the fee or increase the portion of the fee distributed to GMVRA.

Additional Information

Prior Introductions: None.

Cross File: SB 1 (Senator Colburn) - Judicial Proceedings.

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

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