

**Department of Legislative Services**  
 Maryland General Assembly  
 2016 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 274 (Senator King, *et al.*)  
 Judicial Proceedings

**Vehicle Laws - Special Registration Plates - Retired Law Enforcement Officers**

This bill requires the Motor Vehicle Administration (MVA) to develop a special registration plate honoring retired law enforcement officers to be available for a qualifying vehicle owner. The bill specifies required design elements of the special registration plate as well as the classes of vehicle that may display the plate. The bill also establishes that MVA must charge an initial and renewal registration fee to recover the costs of issuing the plate. MVA must also charge an initial and renewal registration fee that is distributed to the Gasoline and Motor Vehicle Revenue Account (GMVRA).

**Fiscal Summary**

**State Effect:** Transportation Trust Fund (TTF) expenditures increase by at least \$261,600 in FY 2017 for one additional customer agent, procuring and producing the special registration plates, contractual reprogramming costs, and postage and supplies. Likewise, TTF revenues increase, potentially significantly, due to the fees established by the bill. However, the magnitude of the increase depends on how many eligible vehicle owners choose to purchase the bill’s special registration plate and the amount of the fees set by MVA, as discussed below.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	-	-	-	-	-
SF Expenditure	\$261,600	\$58,700	\$61,000	\$63,500	\$66,000
Net Effect	(\$261,600)	(\$58,700)	(\$61,000)	(\$63,500)	(\$66,000)

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

**Local Effect:** Local highway user revenues increase due to the fee established by the bill that must be credited to GMVRA. However, the magnitude of the increase depends on how many eligible vehicle owners choose to purchase the bill’s special registration plate and the amount of the fee set by MVA.

**Small Business Effect:** None.

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## **Analysis**

**Bill Summary:** The registration plate must be designed to include words or a graphic design honoring retired law enforcement officers. To be eligible to receive the specially designed registration plate, the vehicle for which the plate is to be affixed must be a Class A (passenger), Class D (motorcycle), Class E (truck), or Class M (multipurpose) vehicle. Eligible applicants must provide MVA documentation from the appropriate law enforcement agency certifying that the applicant retired from the law enforcement agency in good standing.

**Current Law/Background:** Special registration plates, which include an unusual feature such as an emblem or logo depicting an organization, are available for eligible vehicles with payment of an additional fee. Special registration plates are also transferrable.

MVA issues several types of special commemorative geographical, historical, natural resource, and environmental registration plates (such as the Chesapeake Bay and Maryland agriculture plates), as well as numerous organizational registration plates. According to the National Conference of State Legislatures, as of July 2014, Maryland issues more than 700 special registration plates.

**State Fiscal Effect:** TTF expenditures increase by at least \$261,564 in fiscal 2017 for one additional customer agent, procuring and producing the special registration plates, contractual reprogramming costs, and postage and supplies. The estimate includes a salary, fringe benefits, and ongoing operating expenses and also accounts for the bill's October 1, 2016 effective date.

This estimate is based on data from a December 2004 report on law enforcement officers' pensions, which estimated that there were 9,600 retired State and local law enforcement officers in Maryland at that time and that there were another 16,820 active officers. MVA assumes the current population of retired law enforcement officers in Maryland is approximately the same as it was more than 10 years ago. Further, MVA assumes that approximately 1.5% of the already-retired population applies for a plate in the first year, and that each year 1.5% of the active-duty population retires, becomes eligible, and purchases the special plate. MVA further estimates that additional individuals who were already retired become aware of the plate and choose to purchase it in future years. Thus, MVA's estimate assumes 333 plates are issued in fiscal 2017 and 300 new plates are purchased each year thereafter.

Position	1
Salary and Fringe Benefits	\$40,791
Computer Programming – Outside Vendor	202,600
Plate Design	10,000
Other Plate Costs (Production, Postage)	3,358
Other Start-up Costs and Ongoing Costs	4,363
Other Ongoing Costs	<u>452</u>
<b>Total FY 2017 State Expenditures</b>	<b>\$261,564</b>

Certain costs are fixed; others depend on the number of plates issued. For example, the design cost does not change, while the postage and related supplies are estimated on a per-plate basis. Thus, costs could increase or decrease considerably from this projection. Future year expenditures reflect a full salary with annual increases as well as annual increases in ongoing operating expenses.

TTF revenues increase, potentially significantly, beginning in fiscal 2017. Under the scenario above, and assuming eventual cost-recovery, MVA advises it would need to set the fee for the plate at \$182. This takes into account payment of the same fee for biennial renewal. Thus, TTF revenues would increase by \$60,606 in fiscal 2017 and \$54,600 in fiscal 2018, reflecting initial issuance of 333 and 300 plates in those years. However, TTF revenues would increase by \$115,206 in fiscal 2019 and \$109,200 in fiscal 2020, reflecting biennial renewal of 333 and 300 plates in those years, respectively, as well as issuance of 300 new plates each year. In fiscal 2021, the effect is further compounded, with TTF revenues increasing by \$169,806, reflecting biennial renewal of the initial 333 plates issued (in fiscal 2017) and 300 plates issued (in fiscal 2019) as well as 300 new plates issued that year. MVA’s revenue estimates do not account for the additional fee, which must be distributed to GMVRA. That fee would increase the cost for plate purchasers.

The Department of Legislative Services (DLS) advises, however, that the magnitude of the revenue increase depends on how many eligible vehicle owners actually choose to purchase the bill’s special registration plate. DLS further advises that the total number of retired law enforcement officers in Maryland who may be eligible for the plate cannot be reliably estimated for purposes of this fiscal and policy note. The bill does not specify whether the special registration plate is *limited* to law enforcement officers who retired from a State or local law enforcement agency. Thus, presumably, the plate could also be offered to retired federal law enforcement officers. Given the large number of current and former federal employees in Maryland, the total number of eligible vehicle owners could be substantially greater. MVA has estimated plate purchases based on law enforcement officer data for State and local law enforcement agencies from more than 10 years ago; moreover, it is not clear whether a significantly higher number of individuals would choose to take advantage of the option to purchase a special registration plate. If the take-up rate of eligible retirees is greater than anticipated by MVA, the revenue increase could be significant – and the fee

charged for cost-recovery could be much lower. On the other hand, if relatively few retirees choose to purchase the plate, revenues could increase minimally and the fee charged would have to be higher to cover fixed costs.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** Although designated as a cross file, HB 392 (Delegate Fraser-Hidalgo, *et al.* - Environment and Transportation) is not identical.

**Information Source(s):** Maryland Department of Transportation, National Conference of State Legislatures, Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2016  
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