

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 294 (Delegate Wivell)
 Environment and Transportation

Vehicle Laws - Registration Fees - Refunds on Surrender of Registration Card
 and Plates

This bill requires the Motor Vehicle Administration (MVA), on surrender of the registration card and registration plates of a vehicle, to refund one-twelfth of the annual registration fee for each full month remaining in the unexpired registration period. The requirement only applies if three or more months remain on the registration.

Fiscal Summary

State Effect: Special fund revenues decrease by approximately \$11.0 million in FY 2019 and \$14.6 million in subsequent years. Transportation Trust Fund (TTF) expenditures increase by \$42,000 in FY 2019 only for reprogramming.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	(\$10,952,150)	(\$14,602,866)	(\$14,602,866)	(\$14,602,866)	(\$14,602,866)
SF Expenditure	\$42,000	\$0	\$0	\$0	\$0
Net Effect	(\$10,994,150)	(\$14,602,866)	(\$14,602,866)	(\$14,602,866)	(\$14,602,866)

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

Local Effect: Local highway user revenues distributed through the Gasoline and Motor Vehicle Revenue Account (GMVRA) decrease by approximately \$1.0 million in FY 2019 and \$1.3 million beginning in FY 2020. Expenditures may decrease commensurately, as discussed below.

Small Business Effect: Minimal.

Analysis

Current Law/Background: MVA must refund the annual registration fee upon surrender of the registration card and registration plates if the return is made before the beginning of any 12-month registration year for which the application for refund is made.

Most classes of vehicle are currently registered biennially, although some less common classes are registered on an annual basis. Registration fees also include a yearly \$17.00 surcharge for the Maryland Institute for Emergency Medical Services System (MIEMSS). A portion of that surcharge (\$2.50) is reserved for the Trauma Physician Services Fund (TPSF).

In fiscal 2017, MVA reports that 234,168 tags were returned with more than 12 months remaining on the registration. Refunds for those returns totaled approximately \$13.9 million.

Highway User Revenues

TTF provides local transportation aid through GMVRA. Currently, the revenues dedicated to the account include all or some portion of the motor vehicle fuel tax, vehicle titling tax, vehicle registration fees, short-term vehicle rental tax, and State corporate income tax.

TTF's GMVRA revenue (commonly known as highway user revenue) must be distributed to the Maryland Department of Transportation (MDOT) and local jurisdictions as follows:

- 90.4% to MDOT;
- 7.7% to Baltimore City;
- 1.5% to counties; and
- 0.4% to municipalities.

State Revenues: In total, State revenues decrease by \$11.0 million in fiscal 2019 and \$14.6 million beginning in fiscal 2020. TTF revenues retained by MDOT decrease by \$9.0 million in fiscal 2019 and \$12.0 million beginning in fiscal 2020. MIEMSS revenues decrease by \$1.7 million in fiscal 2019 and \$2.2 million beginning in fiscal 2020, while TPSF revenues decrease by \$0.3 million in fiscal 2019 and \$0.4 million beginning in fiscal 2020. **Exhibit 1** summarizes the revenue loss for both the State and local governments in fiscal 2019 and 2020.

Exhibit 1
Projected State and Local Revenue Loss in Fiscal 2019 and 2020

	<u>FY 2019</u>	<u>FY 2020</u>
TTF – MDOT	\$9.0 million	\$12.0 million
MIEMSS	1.7 million	2.2 million
TPSF	<u>0.3 million</u>	<u>0.4 million</u>
Subtotal, State	\$11.0 million	\$14.6 million
GMVRA	<u>1.0 million</u>	<u>1.3 million</u>
Total, State and Local	\$12.0 million	\$15.9 million

TTF: Transportation Trust Fund

MDOT: Maryland Department of Transportation

MIEMSS: Maryland Institute for Emergency Medical Services System

TPSF: Trauma Physician Services Fund

GMVRA: Gasoline and Motor Vehicle Revenue Account

Source: Motor Vehicle Administration; Department of Legislative Services

The estimates are based on the following assumptions:

- approximately 297,692 individuals are eligible for a refund under the bill;
- the number of returns processed annually remains constant at the above level; and
- an annualized registration fee of \$79.00, based on an average of registration fees for Class A (passenger), Class E (truck), and Class M (multipurpose) registration fees, which account for 88% of all registrations.

Exhibit 2 shows the projected revenue loss by the additional months to be refunded on an annualized basis. In order to assess the impact of the bill, MVA analyzed data on registration plates that were returned in fiscal 2017. Based on that analysis, the estimated number of additional refunds processed annually includes individuals who would be *newly* eligible for a refund (*i.e.*, individuals who would not be eligible for a refund under current law because less than 12 months remain on their registrations) *and* individuals who previously would have qualified for a one-year refund but now are eligible for *additional* refundable months. For the latter group, this analysis only takes into account the additional refund due – not the amount that would already be received under current law.

While MVA notes that it intends to issue refunds for individuals with one or two months remaining on their registrations, the Department of Legislative Services advises that the bill only requires MVA to issue a refund if three or more months remain on the registration. Nevertheless, the bill does not *prohibit* MVA from issuing refunds to individuals with less than three months remaining on their registration. In addition, the number of individuals seeking a refund for only one or two months is expected to comprise a very small portion of the overall number of refunds (about 3.2% annually). Therefore, this analysis assumes that MVA allows individuals with less than three months remaining on their registrations to receive a refund for those periods.

Exhibit 2
Projected Annual Registration Returns
Annualized Impact

<u>Additional Months to be Refunded</u>	<u>Additional Refunds Processed Annually</u>	<u>Total Revenue Effect of Additional Refund</u>
1	5,166	(\$40,682)
2	4,492	(70,749)
3	32,756	(773,861)
4	32,434	(1,021,671)
5	32,632	(1,284,885)
6	32,646	(1,542,524)
7	31,953	(1,761,409)
8	31,891	(2,009,133)
9	31,808	(2,254,392)
10	31,180	(2,455,425)
11	30,734	(2,662,333)
Total Additional Refunds	297,692	(\$15,877,063)

Source: Motor Vehicle Administration; Department of Legislative Services

State Expenditures: TTF expenditures increase by \$42,000 in fiscal 2019 for approximately 280 hours of reprogramming. Internal reprogramming changes totaling 400 hours can be handled with existing resources. MVA can handle any increase in the number of registration return refunds with existing resources.

Local Fiscal Effect: As shown in Exhibit 1, local highway user revenues are affected by the bill. Local governments receive a percentage of the revenues affected by the bill – in

total, about 9.6%. Under the bill, local revenues decrease by approximately \$1.0 million in fiscal 2019 and \$1.3 million in subsequent years.

The effect on local expenditures likely varies by jurisdiction. While some jurisdictions may be able to absorb the decline in highway user revenues, others may need to reduce expenditures by an amount corresponding to the loss in revenues.

Additional Comments: To the extent that more individuals return their plates sooner than they otherwise would, TTF and other special fund revenues could be much more significantly impacted. If so, MDOT may need to reduce expenditures for its capital program to maintain its debt service coverage ratio. This analysis assumes that MDOT does not have to do so.

Additional Information

Prior Introductions: A similar bill, HB 67 of 2006, received an unfavorable report from the House Environmental Matters Committee.

Cross File: None.

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

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mm/ljm

Analysis by: Eric F. Pierce

Direct Inquiries to:
(410) 946-5510
(301) 970-5510