

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 632 (Delegate Carr, *et al.*)
 Environment and Transportation

Vehicle Laws - Registration - Renewal

This bill requires the Motor Vehicle Administration (MVA) to phase in a system of multiyear registration that includes options for one- or two-year registration periods. The bill applies to Class A (passenger) and Class D (motorcycle) vehicles, with the phase-in beginning on January 1, 2021, for vehicles manufactured at least 20 years before the registration date. Each year, the bill expands (by one year) the population of eligible vehicles, so that by January 1, 2041, all Class A (passenger) and Class D (motorcycle) vehicles are eligible to choose either a one-year or two-year registration period. Further, the bill authorizes MVA to charge a late fee of up to \$25 for the renewal of a registration that occurs more than one week after the registration has expired, a portion of which goes to the Trauma Physician Services Fund. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Special fund revenues increase by about \$4.0 million in FY 2021, by lesser amounts in FY 2022 and 2023, and by \$5.0 million in FY 2024. By FY 2025, special fund revenues *decrease* by \$617,100. Transportation Trust Fund (TTF) expenditures increase by about \$1.4 million in FY 2021 and by \$991,900 in FY 2025 for required distributions.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$4,002,100	\$2,753,600	\$2,867,800	\$5,011,300	(\$617,100)
SF Expenditure	\$1,423,300	\$1,290,300	\$1,302,300	\$1,530,500	\$991,900
Net Effect	\$2,578,800	\$1,463,300	\$1,565,600	\$3,480,800	(\$1,608,900)

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) increase by approximately \$280,700 in FY 2021 and by lesser amounts in 2022 and 2023. In FY 2024, revenues increase again (by about \$387,800) before decreasing by \$150,800 in FY 2025.

Small Business Effect: Minimal.

Analysis

Current Law/Background: MVA is authorized (but not required) to adopt a system of multiyear registration. The fee for a multiyear registration is the annual registration fee multiplied by the number of years for which the registration is issued. MVA must refund the registration fees upon surrender of the registration card and plates if the return is made before the beginning of any 12-month registration year for which the application for refund is made. In addition, MVA is authorized to adopt regulations related to multiyear registrations.

Most classes of vehicles are currently registered for two years, although some less common classes are registered on an annual basis. Registration fees also include a yearly \$17.00 surcharge for the Emergency Medical Services (EMS) system. A small portion of the EMS charge (\$2.50) goes to the Trauma Physician Services Fund.

Registration periods offered in surrounding states vary. For example, Virginia allows vehicles to be registered for one, two, or three years, while Pennsylvania and the District of Columbia offer one- or two-year registration periods. In each of those jurisdictions, MVA notes that a majority of registrants tend to choose a one-year registration period rather than a multiyear registration period.

Currently, a vehicle owner may renew a registration that is more than one week overdue – but less than 11 months overdue – at a kiosk or over the Internet. If the registration is overdue by 11 months or more, the owner can only renew the registration in person at an MVA branch. There is no late fee or other penalty associated with renewing a registration past the renewal date.

Transportation Trust Fund

TTF is a nonlapsing special fund that provides funding for transportation. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. The Maryland Department of Transportation (MDOT) issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Maryland Transit Administration, MVA, Maryland Port Administration, and Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures. After meeting debt service requirements, MDOT may use funds in TTF for any lawful purpose related to the exercise of its rights, powers, duties, and obligations.

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.

MDOT must provide a portion of total GMVRA revenues to counties, municipalities, and Baltimore City through capital transportation grants each year. From fiscal 2020 through 2024, amounts equivalent to 13.5% of the revenue allocated to GMVRA must be provided to local governments through capital transportation grants as follows: Baltimore City (8.3%); counties (3.2%); and municipalities (2.0%).

Beginning in fiscal 2025, amounts equivalent to 9.6% of the revenue allocated to GMVRA must be provided to local governments through capital transportation grants as follows: Baltimore City (7.7%); counties (1.5%); and municipalities (0.4%); this distribution is equivalent to the GMVRA distribution to localities prior to fiscal 2020. The capital grants may only be appropriated if all debt service requirements and MDOT operating expenses have been funded and sufficient funds are available to fund the capital program.

State/Local Fiscal Effect: Exhibit 1 shows the effect of the bill on TTF revenues and expenditures, local highway user revenues, and revenues for other special funds (due to the surcharge on registration fees as well as the portion of the late fee distributed to one of the funds). The bill requires the multiyear registration scheme to be phased in over a 20-year period beginning in fiscal 2021. Based on data from Virginia, Pennsylvania, and the District of Columbia, MVA advises that it expects about two-thirds of vehicle registrants to choose a one-year registration period, with the remaining one-third of registrants selecting a two-year registration period. Fiscal 2021 estimates reflect a half-year impact due to one-year registrations under the bill and a full-year impact due to late registration renewal fees; out-years reflect the cumulative impact associated with more registrants choosing a one-year registration. The estimate is based on the following assumptions:

- 710,402 total Class A (passenger) and 62,198 Class D (motorcycle) vehicles become eligible for one-year registration over the five-year period;
- 182,826 individuals renew their registrations late each year and pay the \$25 fee authorized by the bill;
- a portion (\$6.25) of the \$25 late registration renewal fee is paid into the Trauma Physician Services Fund; and
- the number of individuals who pay the late registration renewal fee each year is constant (and is unaffected by the overall shift toward one-year registrations assumed to be caused by the bill).

Certain costs are not factored into this estimate. For instance, because of the increase in the number of MVA transactions under the bill, TTF expenditures likely increase due to more frequent registration mailings, sticker production, renewal notifications, *etc.* Further, MVA did not indicate reprogramming costs associated with the bill. The Department of Legislative Services advises that, based on similar legislation introduced in prior years, MVA likely incurs at least some additional costs to make the changes required by the bill.

Exhibit 1
Summary of Fiscal Impact of the Bill on State and Local Revenues and Expenditures
Fiscal 2021-2025

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Transportation Trust Fund Revenues					
Registration Fee	(\$1,349,038)	(\$2,334,403)	(\$2,245,791)	(\$555,102)	(\$4,998,868)
Late Registration Renewal Fee	4,570,650	4,570,650	4,570,650	4,570,650	4,570,650
Subtotal, TTF Revenues	\$3,221,612	\$2,236,247	\$2,324,859	\$4,015,548	(\$428,218)
Transportation Trust Fund Expenditures					
GMVRA Distribution to Local Jurisdictions	\$280,658	\$147,634	\$159,597	\$387,840	(\$150,805)
Required Distribution to Trauma Physician Services Fund	1,142,663	1,142,663	1,142,663	1,142,663	1,142,663
Variable Expenditures	-	-	-	-	-
Subtotal, TTF Expenditures	\$1,423,321	\$1,290,296	\$1,302,259	\$1,530,502	\$991,858
Net Effect on TTF	\$1,798,291	\$945,951	\$1,022,600	\$2,485,046	(\$1,420,076)
Local GMVRA (Highway User) Revenues	\$280,658	\$147,634	\$159,597	\$387,840	(\$150,805)
Other Special Fund Revenues					
Emergency Medical Systems Operations Fund (Surcharge)	(\$308,937)	(\$533,383)	(\$511,517)	(\$125,338)	(\$1,135,713)
Trauma Physician Services Fund (Net Effect)	1,089,398	1,050,700	1,054,470	1,121,053	946,850
Net Effect on Other Special Fund Revenues	\$780,461	\$517,317	\$542,953	\$995,715	(\$188,864)

GMVRA: Gasoline and Motor Vehicle Revenue Account

TTF: Transportation Trust Fund

Notes: The GMVRA distribution associated with late registration renewal fees is assumed to be made from the amount remaining after the distribution to the Trauma Physician Services Fund required by the bill. The net effect on the Trauma Physician Services Fund reflects the additional revenues due to the \$6.25 distribution for each late registration renewal, offset by reduced surcharge revenues due to one-year registrations.

Source: Department of Legislative Services; Motor Vehicle Administration

In addition, once the bill is fully phased in, the number of one-year registrations is likely to far exceed the number of two-year registrations. As such, the majority of registrants will no longer be eligible for a refund (as refunds are only issued in the event that more than one year remains on the registration). However, because the bill phases in over 20 years, the impact of refund expenditure decreases is expected to be minimal in the early years of implementation. By fiscal 2041, the reduction in refunds is likely to more significantly affect TTF expenditures.

Finally, the bill may accelerate the receipt of administrative flag fee revenues and local revenues, as one-year registrants who fail to satisfy certain violations (*e.g.*, parking and speeding/red light camera citations) must satisfy any such violations within one year (rather than two) in order to re-register a vehicle with MVA. Any such change in the flow of these revenues cannot be quantified, however.

Additional Information

Prior Introductions: HB 3 of 2019, a bill with similar provisions, received an unfavorable report by the House Environment and Transportation Committee. Another bill with similar provisions, HB 73 of 2018, received a hearing in the House Environment and Transportation Committee, but no further action was taken.

Designated Cross File: None.

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

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