

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 837 (Senator Jennings)
 Judicial Proceedings

Vehicle Laws - Surrender of Registration Card and Registration Plates - Refund of Registration Fee

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 bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: Special fund revenues decrease by \$17.4 million beginning in FY 2023. Transportation Trust Fund (TTF) expenditures decrease by \$1.9 million in FY 2023 due to reduced capital grants issued to localities and one-time reprogramming costs; beginning in FY 2025, TTF expenditures decrease by \$1.4 million, as discussed below.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	(\$17.4)	(\$17.4)	(\$17.4)	(\$17.4)	(\$17.4)
SF Expenditure	(\$1.9)	(\$2.0)	(\$1.4)	(\$1.4)	(\$1.4)
Net Effect	(\$15.5)	(\$15.5)	(\$16.0)	(\$16.0)	(\$16.0)

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

Local Effect: Local revenues from State capital grants from the Gasoline and Motor Vehicle Revenue Account (GMVRA) decrease by approximately \$2.0 million in FY 2023 and 2024 and \$1.4 million annually beginning in FY 2025. Expenditures may decrease commensurately, as discussed below.

Small Business Effect: Minimal.

Analysis

Current Law: 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).

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.

Chapters 330 and 331 of 2018 altered the manner in which GMVRA revenues are shared with local governments, beginning in fiscal 2020. Instead of directly sharing the revenue with local governments, the Acts require 100% of the funds in GMVRA to be retained by TTF and distributed to local governments through capital transportation grants. This change allows the Maryland Department of Transportation (MDOT) to issue bonds backed by the GMVRA revenues that are ultimately issued to local governments; MDOT was unable to do so prior to the enactment of Chapters 330 and 331.

Chapters 330 and 331 also increased the local government share of GMVRA revenues from fiscal 2020 through 2024. **Exhibit 1** shows the effect of Chapters 330 and 331 on the local share of GMVRA revenues beginning in fiscal 2020. Beginning in fiscal 2025, the percentage of revenues provided to local governments is set to revert back to the totals in place before the enactment of Chapters 330 and 331; however, the revenues must continue to be distributed as capital transportation grants.

Exhibit 1
Distribution of Highway User Revenues
Effect of Chapters 330 and 331 of 2018

	<u>Prior to FY 2020</u>	<u>FY 2020-2024</u>	<u>Beginning in FY 2025</u>
MDOT	90.4%	86.5%	90.4%
Baltimore City	7.7%	8.3%	7.7%
Counties	1.5%	3.2%	1.5%
Municipalities	0.4%	2.0%	0.4%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

State Revenues: In total, State revenues decrease by \$17.4 million beginning in fiscal 2023. TTF revenues retained by MDOT decrease by \$14.5 million annually beginning in fiscal 2023. MIEMSS revenues decrease by \$2.5 million beginning in fiscal 2023, while TPSF revenues decrease by \$0.4 million beginning in fiscal 2023. **Exhibit 2** summarizes the revenue loss for both the State and local governments from fiscal 2023 through 2027.

Exhibit 2
Projected State Revenue Loss
Fiscal 2023-2027

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
TTF	(\$14,473,417)	(\$14,473,417)	(\$14,473,417)	(\$14,473,417)	(\$14,473,417)
MIEMSS	(2,528,489)	(2,528,489)	(2,528,489)	(2,528,489)	(2,528,489)
TPSF	(435,946)	(435,946)	(435,946)	(435,946)	(435,946)
Total State	(\$17,437,852)	(\$17,437,852)	(\$17,437,852)	(\$17,437,852)	(\$17,437,852)

TTF: Transportation Trust Fund

MIEMSS: Maryland Institute for Emergency Medical Services System

TPSF: Trauma Physician Services Fund

Source: Motor Vehicle Administration; Department of Legislative Services

The estimate assumes approximately 291,977 individuals are eligible for a refund under the bill on an annual basis and that the number of returns processed remains constant at that level in future years.

Exhibit 3 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 2021. 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.

Exhibit 3
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 Refunds</u>
1	31,580	(\$390,293)
2	27,875	(\$683,287)
3	26,721	(\$950,833)
4	26,329	(\$1,210,120)
5	26,272	(\$1,484,145)
6	26,355	(\$1,702,509)
7	25,900	(\$1,875,793)
8	25,991	(\$2,087,795)
9	25,700	(\$2,227,116)
10	25,015	(\$2,298,450)
11	24,239	(\$2,527,510)
Total Additional Refunds	291,977	(\$17,437,852)

Note: Numbers may not sum to total due to rounding.

Source: Motor Vehicle Administration; Department of Legislative Services

State Expenditures: TTF expenditures decrease by almost \$2.0 million in fiscal 2023 and 2024 and \$1.4 million annually thereafter because the capital transportation grants that

MDOT must provide to local governments through TTF are based on the GMVRA revenues foregone under the bill. However, TTF expenditures also increase by \$40,500 in fiscal 2023 only for reprogramming. MVA can handle any increase in the number of registration return refunds with existing resources.

Local Fiscal Effect: Local governments receive capital transportation grants from TTF based on a percentage of the revenues in GMVRA which are affected by the bill (13.5% from fiscal 2023 through 2024 and 9.6% beginning in fiscal 2025). Under the bill, local revenues decrease by approximately \$2.0 million from fiscal 2023 through 2024 and \$1.4 million beginning in fiscal 2025.

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: None.

Cross File: None.

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

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Analysis by: Eric F. Pierce

Direct Inquiries to:

(410) 946-5510

(301) 970-5510