

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 866

(Senator Zucker, *et al.*)

Budget and Taxation

Environment and Transportation and
Appropriations

Special Vehicle Registration Plates - Chesapeake Bay Trust and Maryland
Agricultural Education Foundation - Appropriation

This bill establishes supplementary funding requirements for the Chesapeake Bay Trust and the Maryland Agricultural Education Foundation, Inc. beginning in fiscal 2025, based on fee revenues collected for special registration plates in certain prior fiscal years, adjusted for inflation. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures increase as early as FY 2025 to provide mandated supplementary funding to the Chesapeake Bay Trust and the Maryland Agricultural Education Foundation, Inc., as discussed below. Revenues are not affected. **This bill may establish a mandated appropriation beginning in FY 2025.**

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Beginning in fiscal 2025, the Governor must include in the annual budget bill an amount for:

- the Chesapeake Bay Trust equal to the average amount disbursed under current statutory requirements from fiscal 2017 through 2022, adjusted for inflation by the Consumer Price Index for All Urban Consumers for the Baltimore Metropolitan

Statistical Area (CPI-U), less the amount disbursed in the immediately preceding fiscal year, if the difference is a positive number; and

- the Maryland Agricultural Education Foundation, Inc. equal to the average amount disbursed under current statutory requirements from fiscal 2017 through 2022, adjusted for inflation by the CPI-U, less the amount disbursed in the immediately preceding fiscal year, if the difference is a positive number.

Current Law:

Chesapeake Bay Registration Plate

The Motor Vehicle Administration (MVA) must issue a special Chesapeake Bay Commemorative Registration Plate. Any surplus money remaining after MVA has recovered the costs of issuing the commemorative plate and money collected for additional renewal fees may not be retained or transferred to any agency of the State for any purpose. Instead, the surplus money and money collected for additional renewal fees must be disbursed by MVA to the Chesapeake Bay Trust. The trust is a nonprofit grant-making organization dedicated to improving the watersheds of the Chesapeake Bay, the Maryland Coastal Bays, and the Youghiogheny River.

Agricultural Registration Plate

In consultation with the Maryland Agricultural Education Foundation, Inc., MVA must develop and make available for qualifying vehicles a specially designed registration plate honoring Maryland agriculture. MVA must consult with the Maryland Agricultural Education Foundation, Inc. on:

- the design of the registration plate;
- the setting of the fee to be charged at a level intended to encourage the purchase of the registration plate while providing a continuous revenue source to benefit the foundation; and
- a schedule under which MVA will transfer to the foundation revenue collected on its behalf.

The Maryland Agricultural Education Foundation, Inc. is a nonprofit organization whose mission is to increase agricultural literacy and agricultural education.

State Expenditures: The fees collected from the special registration plates addressed by the bill tend to fluctuate from year-to-year. Because of this fluctuation, even with several years of historical data, the Department of Legislative Services (DLS) is unable to provide

a precise estimate of how the bill may affect TTF expenditures in future years; any impact can only be determined with actual experience under the bill. Based on a review of disbursement data from fiscal 2017 through 2022, the average amount of special registration plate fee revenues collected for the Chesapeake Bay Trust and the Maryland Agricultural Education Foundation totaled approximately \$3.5 million and \$669,400, respectively.

Beginning in fiscal 2025, the bill requires a mandated appropriation if fee revenues received in the immediately preceding fiscal year fall below those average amounts (adjusted for inflation). Should fee revenues remain at a constant level (or decrease) in future years, DLS advises that mandated TTF expenditures may be significant. *For illustrative purposes only*, TTF expenditures increase by approximately \$475,100 in fiscal 2025 and by \$776,000 in fiscal 2028 assuming fees collected from the special registration plates remain at fiscal 2022 levels through fiscal 2028. However, if fee revenues for either registration plate increase, mandated supplementary funding may not be required (or may be less significant).

Exhibit 1 contains more detailed information regarding the potential fiscal impact of the bill's supplementary funding requirements.

While this analysis assumes that funds from TTF are used to meet the bill's supplementary funding requirements, general funds may be used instead.

Additional Comments: Beginning with the fiscal 2025 budget year, the bill potentially requires supplementary funding for the Chesapeake Bay Trust and the Maryland Agricultural Education Foundation, depending on the level of fee revenues received in fiscal 2024. However, DLS advises that the exact amount of fee revenues for fiscal 2024 (and the fiscal 2024 change in the CPI-U over the prior year) will not be known until early fiscal 2025 (*i.e.*, after the fiscal 2025 budget is already enacted). Because it is unclear how the Governor would be able to calculate the appropriation for inclusion in the annual budget bill in any given year, as currently drafted, the bill may not meet the constitutional requirements for a mandated appropriation.

Exhibit 1
Illustrative Mandated Supplementary Funding Under the Bill for
Chesapeake Bay Trust and Maryland Agricultural Education Foundation, Inc.
Fiscal 2024-2028

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
<u>Average Fee Revenues, Adjusted for Inflation*</u>					
Chesapeake Bay Trust	-	\$3,806,889	\$3,891,929	\$3,973,287	\$4,059,078
Maryland Agricultural Education Foundation	-	734,099	750,497	766,186	782,729
Total, Adjusted for Inflation	-	\$4,540,988	\$4,642,426	\$4,739,473	\$4,841,807
<u>Current Law Funding**</u>					
Chesapeake Bay Trust	\$3,457,297	\$3,457,297	\$3,457,297	\$3,457,297	\$3,457,297
Maryland Agricultural Education Foundation	608,555	608,555	608,555	608,555	608,555
Total Anticipated Funding Under Current Law	\$4,065,852	\$4,065,852	\$4,065,852	\$4,065,852	\$4,065,852
<u>Mandated Supplementary Funding Under the Bill***</u>					
Chesapeake Bay Trust	-	\$349,592	\$434,631	\$515,990	\$601,780
Maryland Agricultural Education Foundation	-	125,544	141,942	157,631	174,174
Total Mandated Supplementary Funding	-	\$475,136	\$576,573	\$673,621	\$775,954

*Average fee revenues from fiscal 2017 through 2022, as specified in the bill, inflated based on current consumer price index projections by Moody's Analytics and IHS Markit.

**Current law funding assumes ongoing fee revenues at fiscal 2022 levels.

***Mandated supplementary funding begins in fiscal 2025.

Source: Maryland Department of Transportation; Moody's Analytics; IHS Markit; Department of Legislative Services

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1257 (Delegate Boyce) - Rules and Executive Nominations.

Information Source(s): Department of Budget and Management; Maryland Department of Transportation; Moody's Analytics; IHS Markit; Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2023
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