

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 913 (Delegates Fraser-Hidalgo and Stein)
 Environment and Transportation

Motor Vehicles – Registration – Annual Surcharge

This bill establishes an annual surcharge for every motor vehicle subject to registration, initially set at \$100 for each plug-in electric drive vehicle or fuel cell electric vehicle and \$75 for every other motor vehicle; this surcharge is in addition to the vehicle registration fee otherwise required under State law. The bill also (1) specifies the timing for payment of the surcharge; (2) requires revenues generated from the surcharge on electric vehicles to be used for specified purposes; (3) establishes that, beginning October 1, 2025, the surcharges paid may be adjusted annually, as determined by the Motor Vehicle Administration (MVA), for inflation; (4) requires MVA to refuse to register, renew, or transfer a vehicle’s registration if the owner is assessed the surcharge but fails to pay it (or fails to make installment payments); and (5) requires MVA and the Comptroller to report to specified committees by December 1, 2024.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by approximately \$288.0 million in FY 2025 and likely by *at least* \$384.0 million in subsequent years, as discussed below. TTF expenditures increase by *at least* \$14.2 million in FY 2025 and *at least* \$18.9 million in subsequent years – just for mailing costs, additional credit card processing fees, and required vehicle purchases. TTF expenditures also likely further increase by a significant, but indeterminate, amount in FY 2025 for reprogramming costs.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$288.0	\$384.0	\$384.0	\$384.0	\$384.0
SF Expenditure	\$14.2	\$18.9	\$18.9	\$18.9	\$18.9
Net Effect	\$273.8	\$365.1	\$365.1	\$365.1	\$365.1

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

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The surcharge assessed may be paid either at the time the annual registration fee is paid or in installments throughout the registration period (as determined by MVA).

All revenue generated from the surcharges accrues to TTF. However, the surcharge on electric vehicles may only be used to fund the purchase of certain vehicles already required under current law (specifically zero-emission or alternative-fuel buses as well as zero-emission or hybrid vehicles in the State fleet).

By December 1, 2024, MVA and the Comptroller must report to specified committees on recommendations regarding the feasibility of automatically reducing the electric vehicle surcharge for low-income residents.

Current Law:

Electric Vehicles

A “fuel cell electric vehicle” is a motor vehicle that (1) is made by a manufacturer; (2) is manufactured primarily for use on public streets, roads, and highways; (3) is rated at no more than 8,500 pounds unloaded gross weight; (4) has a maximum speed capability of at least 55 miles per hour; (5) is powered entirely by electricity, produced by combining hydrogen and oxygen, that runs the motor; (6) has an operating range of at least 100 miles; and (7) produces only water vapor and heat as byproducts.

A “plug-in electric drive vehicle” is a motor vehicle that (1) is made by a manufacturer; (2) is manufactured primarily for use on public streets, roads, and highways; (3) is rated at no more than 8,500 pounds unloaded gross vehicle weight; (4) has a maximum speed capability of at least 55 miles per hour; and (5) is propelled to a significant extent by an electric motor that draws electricity from a battery that meets specified capacity requirements and is capable of being recharged from an external source of electricity.

Motor Vehicle Registration

Each motor vehicle, trailer, semitrailer, and pole trailer driven on a highway must be registered, subject to limited exceptions. A “motor vehicle” is defined as a vehicle that, unless otherwise specifically exempted, is self-propelled or propelled by electric power obtained from overhead electrical wires and not operated on rails.

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. A portion of that surcharge (\$2.50) is reserved for the Trauma Physician Services Fund.

State Revenues: Based on current vehicle registration data from the Maryland Department of Transportation (MDOT), TTF revenues increase by approximately \$288.0 million in fiscal 2025 (which accounts for the bill’s October 1, 2024 effective date) and likely by *at least* \$384.0 million in subsequent years. **Exhibit 1** shows the expected TTF revenues under the bill from fiscal 2025 through 2029 under the assumptions discussed below.

This estimate assumes the total number of vehicle registrations (including electric vehicles) remains constant over the forecast period. To the extent the number of electric vehicles increases, TTF revenues increase further (assuming no significant decrease in internal-combustion engine vehicles, which would have a partially offsetting effect). This estimate also does not account for an annual adjustment for inflation that may be applied to the surcharges beginning October 1, 2025. TTF revenues increase in the out-years consistent with the inflation adjustments MVA determines to use, if any.

Exhibit 1
Increase in Transportation Trust Fund Revenues under the Bill
Fiscal 2025-2029

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
EV Surcharge	\$6,858,600	\$9,144,800	\$9,144,800	\$9,144,800	\$9,144,800
General Surcharge	281,116,069	374,821,425	374,821,425	374,821,425	374,821,425
Total Revenues	\$287,974,669	\$383,966,225	\$383,966,225	\$383,966,225	\$383,966,225

EV: Plug-in electric drive vehicle or fuel cell electric vehicle

Source: Maryland Department of Transportation; Department of Legislative Services

The additional TTF revenues may allow MDOT to issue additional transportation bonds for its capital program beginning as early as fiscal 2025. To the extent that MDOT chooses to do so, TTF revenues increase further, potentially significantly, beginning as early as fiscal 2025. However, any such impact is not included in this analysis.

This analysis reflects payment of the surcharge only by vehicle owners that are subject to paying a registration fee. It further assumes payment of the annual surcharge *concurrent*

with payment of the annual registration fee when it is due. As most vehicles register on a biennial basis and pay two years of annual fees at that time, the annual surcharge paid under the bill would also be paid for two years at a time. The Department of Legislative Services (DLS) advises, however, that many vehicle owners may opt to pay the surcharge in installments. Most vehicle owners either currently pay \$135 (for vehicles weighing 3,700 pounds or less) or \$187 (for vehicles weighing more than 3,700 pounds) at registration, inclusive of existing surcharges. Accordingly, for many of them, the amount due at registration more than doubles – to either at least \$285 or \$335 (if an electric vehicle); for heavier vehicles, the amount due increases to at least \$337 or \$387 (if an electric vehicle). Nevertheless, this analysis does not account for any variance in the timing for receipt of revenues that may arise due to registrants opting to pay through installment plans – in part because those plans are yet to be determined by MVA. DLS further advises that, although ongoing, this impact would likely be most pronounced in the first year of collection with more level collections in the out-years. Essentially, any delays in the payment of the surcharge due to installment plans would be mitigated the following year as the bill establishes that installments may be throughout the registration period.

The analysis also does not account for any automatic reduction in the surcharge for low-income owners of electric vehicles that may be implemented in the future.

State Expenditures: As shown in **Exhibit 2**, TTF expenditures are affected in multiple ways. First, because the surcharge is a new fee, additional mailing costs are anticipated in order to raise public awareness that additional charges are due at the time of registration or registration renewal. To send just one notice of the surcharge for each registration due, TTF expenditures increase by approximately \$1.7 million on an annualized basis. As this estimate does not factor in additional notices/invoices that may need to be sent in the event a vehicle owner requests an installment plan, DLS advises that TTF expenditures increase by *at least* \$1.3 million in fiscal 2025 and *at least* \$1.7 million annually thereafter.

TTF expenditures further increase for additional credit card processing fees charged, commensurate with the increase in surcharge revenues paid by owners who use credit cards for their transactions. DLS advises that, if approximately 70% of transactions are subject to the credit card processing fee and the average fee paid is 3%, TTF expenditures increase by approximately \$6.0 million in fiscal 2025 and \$8.1 million annually thereafter, to pay the credit card processing fees.

MVA advises that it does not currently have an accounts receivable system in place that allows for installment payments as required under the bill. To set up such a system would require an extensive programming effort. While the cost for that system has not yet been quantified, it could be significant – totaling several hundred thousand dollars or even more than \$1.0 million.

Further, the bill requires the surcharge received for electric vehicles to be expended on zero-emission or alternative-fuel buses as required under specified provisions of State law and zero-emission or hybrid vehicles in the State fleet. Accordingly, TTF expenditures increase by an additional \$6.9 million in fiscal 2025 and by \$9.1 million in subsequent years for this purpose. As the number of electric vehicles increases (although not accounted for in this estimate), revenues from that source likewise increase and necessitate a corresponding increase in expenditures on buses and the State fleet.

Exhibit 2
Increase in Transportation Trust Fund Expenditures under the Bill
Fiscal 2025-2029

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Mailing Costs	\$1,259,544	\$1,679,392	\$1,679,392	\$1,679,392	\$1,679,392
Credit Card Fees	6,047,468	8,063,291	8,063,291	8,063,291	8,063,291
Buses/State Fleet	6,858,600	9,144,800	9,144,800	9,144,800	9,144,800
Quantifiable Total	\$14,165,612	\$18,887,483	\$18,887,483	\$18,887,483	\$18,887,483

Source: Maryland Department of Transportation; Department of Legislative Services

Because the bill does not explicitly direct revenues generated from the additional surcharges to the Gasoline and Motor Vehicle Revenue Account (GMVRA), this analysis assumes that local transportation grants from GMVRA are unaffected.

To the extent that MDOT uses the increase in revenues to issue additional capital transportation bonds, TTF expenditures increase to pay the additional debt service beginning as early as fiscal 2025.

Small Business Effect: Any small businesses that own and operate vehicle fleets may be significantly affected by the bill, depending on the number of vehicles owned and the type of vehicles.

Additional Information

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

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Budget and Management; Department of General Services; Maryland Department of Transportation; Department of Legislative Services

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