Fiscal Analysis

MICHIGAN VEHICLE CODE – FEE REVENUE AND DISTRIBUTION

Bill/Sponsor **SENATE BILL 554 (H-2),** Sen. Shirley Johnson
SENATE BILL 539 (S-1) as reported, Sen. Judson Gilbert

House Committee Transportation

Analysis

Summary

SB 554 (H-2) would amend the Michigan Vehicle Code to increase, and/or redistribute a number of fees currently provided under the Code - driver license fees, vehicle title and registration fees [1], and automobile dealer license fees. The estimated revenue increase from these changes is as follows [2]:

Transportation Administration Collection Fund (TACF) *(New fund, described further below)* From $3.00 increase in title and registration service fees in Sections 801(3) and 806(1). *Same as Senate-passed bill.*	$39.8 million
General Fund (GF/GP) ▲ $15.9 million from increases in drivers license fees under Sections 811(1), 812, 312e, 312h, and 314b ▲ $9.1 million from new $10.00 late registration fee under Section 801(4). *Approximately $900,000 less than Senate-passed bill due to smaller increases in Section 312e and 312h fees.*	$25.0 million
Michigan Transportation Fund (MTF) (net) [3] ▲ $534,800 from increases in auto and salvage vehicle dealer fees under 807(1) and 807(2). ▲ $1.2 million from changes in pro-rated registrations under Section 226(6)a. *Not in Senate bill* ▲ $3.6 million from changes in temporary permits in Section 226(b) and 802(5). *Not in Senate bill*	$5.3 million
Michigan Transportation Fund (MTF) *(One-time increase in FY 2003-04 only)* Section 801(1)(l) would increase trailer registration fees and change from annual to one-time per owner registration. *Not included in Senate-passed bill.*	***Revised estimate*** $76.7 million

[1] With the exception of trailer registration taxes under 257.801(1)(l), the bill would increase Department of State *service fees* only, and would otherwise not affect vehicle title fees and registration weight and ad valorum taxes provided in the Michigan Vehicle Code.

[2] The revenue estimates were developed by the Michigan Department of State from 2002 transaction data.

[3] In addition, the bill would shift $56.4 million in various vehicle registration service fees currently earmarked for the MTF to the new TACF. To the extent that the two bills replace TACF funds revenue currently appropriated from the MTF for Department of State administrative and revenue collection costs, the net effect of this fund shift would be $0.

SB 539 would amend Section 10 of Public Act 51 of 1951 to direct that "*funds for the necessary expenses incurred by the Department of State in administration and enforcement of the sections 801 to 810 of the Michigan Vehicle Code be appropriated from the Transportation Administration Collection Fund created in Section 810b [created in SB 554]*". Appropriating these costs from the TACF would apparently eliminate the current MTF grant to the Department of State starting in FY 2003-04.

SB 539 would also strike current language which called for the "*phase-out*" of MTF appropriations for administrative costs of all but certain specific named state agencies. This language appeared to have excluded the Department of Treasury as an eligible recipient of MTF grants. Striking this language would allow the MTF to reimburse the Department of Treasury for its costs of collecting MTF motor fuel tax revenue.

Both SB 554 and SB 539 have effective dates of October 1, 2003. The two bills are tie-barred.

Effect on MTF Distribution

The MTF is the main collection and distribution fund for almost $2.0 billion in state-restricted transportation revenue – primarily from motor fuel taxes and vehicle registration fees. Funds credited to the MTF are distributed in accordance with Public Act 51 of 1951 to other state funds, accounts and programs, and to county road commissions and cities and villages.

By using $39.8 million in increased fee revenue, credited to the TACF, to offset MTF funds currently appropriated for Department of State MTF collection costs, the two bills would free up $39.8 million for distribution according to the provisions of Act 51.

In addition, SB 554 would increase MTF revenue on an ongoing basis from increases in auto and salvage dealer fees, from eliminating pro-rated registrations, and from increases in temporary registration fees. The estimated increase for FY 2003-04 is $5.3 million.

Finally, proposed changes in trailer registrations under Section 801(1)(l) would result in a one-time increase in MTF revenue of an estimated $76.7 million in FY 2003-04 [4]. The bill would also replace annual trailer registrations with one-time registrations that expired only when a registration was transferred to a new owner, or when the Secretary of State reissued plates. As a result, after the first year of implementation, there would be a decrease in MTF revenue as a result of the decrease in annual registrations. Nonetheless, the net effect over time would be to increase MTF revenue. Note that an earlier Department of State

Note that a previous fiscal analysis had indicated that the increase at $115.0 million – based on Department of State estimates. The department subsequently revised its estimates to $76.7 million in one-time MTF revenue from changes in trailer registrations.

MTF revenue would be distributed according to the provisions of Public Act 51 of 1951, effectively 10% the Comprehensive Transportation Fund for public transportation programs, 35% to the State Trunkline Fund, 35% to county road commissions, and 20% to cities and villages.

Committee Changes from the Senate-passed bill

Section 226(6) – The Senate did not amend this section which in current law provides for pro-rated renewal registration taxes. Under provisions of the H-2 substitute, the tax for 6 to 12 month registration renewal would be the same as for 12 months, and the renewal registration for more than 12 months would be twice the tax for 12 months. The Department of State estimates that this change would result in an increase in MTF revenue of $1.2 million per year.

Sections 226b and 802(5) – The Senate did not amend this section which in current law provides for a 14-day temporary registration. The H-2 substitute would replace the 14-day temporary registration with 30-day and 60-day registrations. The tax for the 30-day registration would be 1/10 the normal tax (from Section 801) or $20, whichever is greater. The 60-day registration tax would be 1/5 of the normal tax (from Section 801) or $40.00, whichever is greater. The Department of State estimates this change would result in an increase in MTF revenue of $3.6 million based on 2002 transaction records.

Sections 312e and 312h – The Senate-passed bill increased "vehicle group designation fees" from $20 to $35. The H-2 substitute would increase these fees to $25. The increases proposed in the H-2 substitute would increase GF/GP revenue by $1.4 million, approximately $900,000 less than the Senate-passed bill.

The H-2 substitute would also increase the "corrected license fee" in 312h from $6 to $18. The Department of State indicates that it is unable to estimate the impact of this change.

Section 723 - The Senate-passed bill did not amend this section regarding logos or emblems which under current law must be attached to certain trucks and trailers, excluding trucks eligible for farm plates. The H-2 substitute would also exclude trucks eligible for manufacturer plates from this requirement. This section has no apparent fiscal impact.

Section 801(l)(l) The Senate-passed bill did not amend this section regarding trailer registrations, which under current law provides for annual registration fees of $17.00 for trailers up to 500 lbs, $24.00 for trailers 501lbs to 1,500 lbs, and $39.00 for trailers greater than 1,500 lbs. Under the provisions of the H-2 substitute, fees would be $75 for trailers up to 2,499, and $200 for trailers 2,500 lbs or more.

The H-2 substitute would also replace annual trailer registrations with one-time registrations that would expire only when the registration was transferred to a new owner, or when the Secretary of State reissued registration plates for all trailers.

The Department of State estimates this change would result in a one-time increase in MTF revenue of $76.7 million in the first year. Because there would be a reduction in annual registrations in subsequent years, MTF revenue would be less in subsequent years than under current law. Nonetheless, the net effect of this change in trailer registrations would be to increase MTF revenue.

Repealers – The H-2 substitute would repeal two additional sections to Enacting Section 1 – Sections 801d and 818.

Section 810b(3) - The H-2 substitute directs that monies in the Transportation Administration Collection Fund at the close of the fiscal year shall lapse to the MTF.

See House Fiscal Agency **Committee Analysis**, dated June 24, 2003, for a discussion of the Transportation Administration Collection Fund, which would be created by SB 554, as well as discussion of MTF Interdepartmental Grants (IDGs), Sunset Provisions, and earmarking of Driver's License Fees for the Transportation Economic Development Fund (TEDF).

Analyst(s)

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