

MEMORANDUM



DATE: June 11, 2013
TO: House Committee on Transportation and Infrastructure
FROM: William E. Hamilton
RE: House Bills 4632 and 4630 - Registration Service and Regulatory Fees

In addition to establishing registration taxes, Section 801 of the Michigan Vehicle Code provides for certain registration service fees and regulatory fees. House Bills 4632 and 4630 would amend various sections of the Michigan Vehicle Code to increase fee revenue and to change the distribution of certain fees. This memo will describe the fiscal impact of the two bills working together.

Background

Public Act 152 of 2003 created the Transportation Administration Collection Fund (TACF) in Sec. 810b of the Michigan Vehicle Code and dedicated certain vehicle title and registration service fees to the TACF. The fund was established as a state restricted fund to support, in part, activities of the Michigan Department of State in the administration and enforcement of sections 801 through 810 of the Michigan Vehicle Code.

Among the service fees dedicated to the TACF was a \$5.75 registration service fee under Sec. 801(3).

Public Act 152 of 2003 also established a new Traffic Law Enforcement Safety Fund (TLESF) and in Section 801(4) dedicated a \$2.25 "regulatory fee" to the fund.

Both the \$5.75 registration service fee and the \$2.25 regulatory fee, i.e. \$10.00 in total, were add-ons to the base registration tax established under Section 801(1). These additional fees were imposed on most, but not all, registrations. The additional service fees were not imposed on pre-1984 vehicles less than 10,000 pounds under subdivision (a), on elected Gross Vehicle Weight plates under subdivision (k), nonprofit/civic plates under subdivisions (g) and (h), trailer registrations under subdivision (l), or motorcycles under subdivision (m).

Public Act 152 of 2003 also established a new \$10.00 late registration fee for credit to the state General Fund.

House Bill 4632 (H-2)

House Bill 4632 (H-2) would amend Section 801(3) to eliminate the \$2.25 TLESF regulatory fee. The bill would also increase the TACF service fee from \$5.75 to \$10.00 per registration. The change would have no impact on the amount paid by applicants which would remain \$10.00 in total. However, the change would effectively dedicate the entire \$10.00 in fee revenue to the TACF.

The bill would also make all registrations under Section 801 subject to the service fee, including vehicles registered under the elected gross weight schedule, nonprofit and civic vehicles, trailers, and motorcycles.

The bill would specify that the TACF was created in Section 810b to "reimburse necessary collection expenses as provided in Section 9 of Article IX of the state constitution of 1963."

House Bill 4632 (H-2) would amend Section 801(4) of the Michigan Vehicle Code to dedicate the \$10.00 registration late fee, currently credited to the state General Fund, to the TLESF.

House Bill 4630 (H-2) would increase baseline operator's renewal fees from \$18.00 to \$25.00 – the same as original operator's licenses – and would add a separate \$10.00 late fee for renewal applications made after the license expiration date.

The bill would exempt those on active military service from the \$10.00 late fee.

The bill would also change the distribution of revenue collected under the Section. Specifically the bill directs that \$11.00 for each person examined for a renewal operations license be deposited in the Traffic Law Enforcement Safety Fund [TLESF] created in Section 819a.

Fiscal Impact

The bills are tie-barred to each other. Working together, the bills would:

- Increase TLESF revenue by \$2.8 million
- Increase TACF revenue \$23.1 million
- Decrease General Fund revenue by \$7.5 million

These are broad estimates. Both House Bills 4632 and 4630 make other, smaller, changes affecting TACF registration service fees not recognized in the above figures. Our analysis of those bills is ongoing.

Public Act 51 of 1951 currently provides for the use of Michigan Transportation Fund revenue to support the Department of State vehicle registration programs, not to exceed \$20.0 million. Current year and FY 2013-14 MTF appropriations for Department of State are at the \$20.0 million statutory limit. Representatives of the Department of State have indicated that a companion bill will be offered to amend Public Act 51 of 1951 to eliminate the use of Michigan Transportation Fund revenue to support the department's vehicle registration programs.

House Bills 4632 and 4630
Impacts on Registration Service and TLESF Regulatory Fees

	<u>TLESF</u>	<u>TACF</u>	<u>General Fund</u>																									
House Bill 4632																												
Section 801(3)	(\$17,000,000)	\$17,000,000		Eliminates TLESF regulatory fee; increases TACF service fee \$2.25.																								
Section 801(3)		6,100,000		Would make several vehicle categories subject to TACF fees, including pre-1984, elected GVW, motorcycles, trailers:																								
				<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Category</u></th> <th style="text-align: right;"><u>Vehicles</u></th> <th style="text-align: right;"><u>TACF Fee</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>Pre-1984</td> <td style="text-align: right;">60,000</td> <td style="text-align: right;">\$10.00</td> <td style="text-align: right;">\$600,000</td> </tr> <tr> <td>Elected GVW</td> <td style="text-align: right;">80,000</td> <td style="text-align: right;">\$10.00</td> <td style="text-align: right;">800,000</td> </tr> <tr> <td>Motorcycles</td> <td style="text-align: right;">270,000</td> <td style="text-align: right;">\$10.00</td> <td style="text-align: right;">2,700,000</td> </tr> <tr> <td>Trailers</td> <td style="text-align: right;">200,000</td> <td style="text-align: right;">\$10.00</td> <td style="text-align: right;"><u>2,000,000</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>\$6,100,000</u></td> </tr> </tbody> </table>	<u>Category</u>	<u>Vehicles</u>	<u>TACF Fee</u>		Pre-1984	60,000	\$10.00	\$600,000	Elected GVW	80,000	\$10.00	800,000	Motorcycles	270,000	\$10.00	2,700,000	Trailers	200,000	\$10.00	<u>2,000,000</u>				<u>\$6,100,000</u>
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Section 801(4)	10,000,000		(10,000,000)	Transfers \$10.00 registration late fee from General Fund to TLESF.																								
House Bill 4630																												
Section 811(1)			2,480,000	Establishes new \$10.00 DL late fee; assumes 248,000 late registrations.																								
Section 811(2)	15,400,000			Earmarks \$11.00 of DL renewal to TLESF.																								
	<u>(5,600,000)</u>			Eliminates \$4.00 transfer of DL renewal.																								
Subtotal	9,800,000			Estimated 1.4 million renewal registrations x \$7.00 increase.																								
Net Difference	<u>\$2,800,000</u>	<u>\$23,100,000</u>	<u>(\$7,520,000)</u>																									