

Legislative Analysis



SUNSET EXTENSION FOR FEES DIRECTED TO THE TRANSPORTATION ADMINISTRATION COLLECTION FUND AND TRAFFIC LAW ENFORCEMENT AND SAFETY FUND

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House Bill 4858 as introduced
Sponsor: Rep. Mark E. Huizenga

House Bill 4889 as introduced
Sponsor: Rep. Jon Hoadley

House Bill 4890 as introduced
Sponsor: Rep. Terry J. Sabo

Committee: Appropriations
Complete to 9-3-19

SUMMARY AND BACKGROUND:

House Bills 4858, 4889, and 4890 would amend the Natural Resources and Environmental Protection Act, the State Personal Identification Card Act, and the Michigan Vehicle Code, respectively, to maintain regulatory and service fees levied on various vehicle registration, title, and record look-up service transactions by extending the sunset (expiration date) of the fees for four years, from October 1, 2019, to October 1, 2023.

All but two of the fees extended in the bills are directed to the Transportation Administration Collection Fund (TACF). TACF was created under 2003 PA 152 to support operations and activities of the Department of State (DOS) in administering sections 801 through 810 of the Michigan Vehicle Code, which govern state registration of vehicles and watercraft, and its related services. Additional service fees were created or directed to be deposited into TACF in subsequent years to cover DOS administrative funding shortfalls, which were being supported with GF/GP appropriations. In following years, TACF revenue also began to be used for necessary department administrative expenses other than those associated with its motor vehicle registration program, as authorized by statute.

HBs 4858 and 4889 would extend service fees for DOS record look-up services for motor vehicles, watercraft, off-road vehicles, and snowmobiles. DOS is authorized by statute to charge a fee for record look-up services at the market rate or at an amount determined by the legislature. The legislature sets the amount each fiscal year in the General Government budget boilerplate of the annual budget bill. 2005 PAs 172 to 174 directed records look-up fee revenue to TACF to further address the revenue shortfall in supporting the department's administrative funding costs and the use of GF/GP to cover these costs. The DOS budget is now composed of 84% state restricted funding in FY 2018-19, with TACF comprising \$135.3 million, or 54%, of the department's total budget. The sunset date for TACF fees was most recently extended four years, from October 1, 2015, to October 1, 2019, by 2015 PA 78.

HB 4890 would extend two regulatory fees that are deposited into funds other than TACF. The first is a vehicle registration transaction fee that would be extended to October 1, 2023 and is directed to the Traffic Law Enforcement and Safety Fund (TLESF). TLESF supports the Michigan State Police (MSP) in the enforcement of traffic laws and the ability to provide safety on state roads and highways. TLESF was also established in 2003 PA 152 and collects fee revenue from multiple sources. HB 4890 would extend a \$2.25 earmark collected from vehicle registration taxes provided for in section 801 of the Michigan Vehicle Code.

The other fee not deposited into TACF is the tire disposal surcharge authorized under section 806 of the Michigan Vehicle Code, which would be extended four years to December 31, 2023. The tire disposal surcharge is paid by each person who applies for a certificate of title, a salvage vehicle certificate of title, or a scrap certificate of title. This surcharge is collected by the Department of Environment, Great Lakes, and Energy (EGLE) and credited to the Scrap Regulatory Fund. Revenue from this fund supports EGLE's Scrap Tire Grants and Scrap Tire Regulatory Program, which fund the removal of scrap tires from public lands and enforce the Scrap Tire Regulatory Act. The surcharge was set at \$1.50 per title or duplicate of title in 2003. The surcharge sunset was last extended in 2015 to December 31, 2019.

FISCAL IMPACT:

The bills would maintain current funding levels for DOS, MSP, and EGLE by permitting the continued collection of revenue available for the departments' ongoing appropriations.

The bills would permit DOS to collect, and consequently spend, *nearly* all TACF revenue¹ for four years beyond the current sunset date of October 1, 2019, to October 1, 2023. Both the Executive Recommended budget and the House-passed budget are based on an assumed extension of TACF fee sunsets. In Fiscal Year 2017-18, DOS collected and deposited \$134.5 million into TACF. In FY 2019-20, DOS anticipates the collection and deposit of \$131.2 million. The Executive recommended the use of \$138.5 million of TACF revenue and the House authorized the use of \$141.0 million. Both budgets assume the use of TACF revenue carried forward from previous fiscal years. All TACF revenue is currently directed by statute to DOS for its operations.

Revenue to the TLESF is primarily expended for the enforcement of traffic laws by at-post state troopers. MSP estimates that the total annualized revenue maintained by the extension of the fee sunset under the bill would be approximately **\$17.5 million**. Both the Executive Recommended budget and the House-passed budget are based on an assumed extension of the TLESF fee sunset.

Revenue collected under the tire disposal surcharge generated \$4.2 million in revenue in FY 2017-18 and is projected to continue at similar levels in future fiscal years. Both the Executive Recommended budget and the House-passed budget are based on an assumed extension of the tire disposal surcharge sunset.

If this restricted revenue from TACF and TLESF were no longer available, DOS and MSP would need to find a way to address the consequent loss of revenue. Record look-up fee revenue (\$58.0 million) would lapse to the general fund, and most vehicle registration fee revenue (\$47.6 million) would revert back to the Michigan Transportation Fund, which is distributed to the state and local units of government for road construction and maintenance.

The table below provides a summary of fee revenue per transaction, total revenue collected in FY 2017-18, and the corresponding bill that extends the fee's sunset date.

¹ Approximately \$276,000 of TACF revenue, collected under section 801c of the Motor Vehicle Code, which provides for the collection of penalty fees for delinquent payments due to nonpayment of fees through checks written with nonsufficient funds, is not subject to a fee sunset.

<u>Fee Service</u>	<u>Fee Amount</u>	<u>House Bill</u>	<u>FY 2017-18 Total Revenue</u>
Personal ID Record Records Look-Up		4889	\$58.0 million
Commercial Records Look-Up Service		4858	
Watercraft Title Records Look-Up			
ORV Records Look-Up		4890	
Snowmobile Records Look-Up	\$11		
Driver Education and Limo Carrier Records Look-Up			
Public Entity Bulk Driver and Motor Vehicle Records Look-Up			
Amateur Radio Operator Registration Plate	\$2		\$1.5 million
Half-Year Commercial Vehicle Registration	\$10	4890	
Veteran/Military Registration Plates	\$5		
Trans-State Dealer Deliver Temp Registration	\$10		\$1.1 million
30 and 60 Permits	\$10		
Temp Registration Plates and Markers	\$10		
Repo, Delivery, and Auction Temp Registration	\$40/\$20		
Special Mobile Equipment Registration	\$15/\$5	4890	
3-Month Tractor Truck Registration	\$10		
12-Month Farm Truck & Trailer Registration	\$20		
Farm Tractor Registration	\$10		
3-Month Tractor Truck Registration	\$10		
Registration Transaction	\$5.75	4890	
Registration Transaction	\$2.25		\$17.5 million (Dedicated to TLESF and MSP)
Personalized Registration Plate	\$8/\$2/\$5/\$15	4890	\$1.2 million
Commemorative/Fund-raising, Special Organization Registration Plates	\$5/\$10	4890	\$6.0 million
Duplicate Title and Expedited Service	\$10/\$8	4890	\$12.0 million
Salvage & Scrap Vehicle Title Tire Disposal Surcharge	\$1.50	4890	\$4.2 million (Dedicated to Scrap Regulatory Fund and EGLE)
Registration Transfer	\$8	4890	\$9.4 million
Total TACF Revenue			\$134.2 million

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.