

EXTENSION OF SUNSET ON FEES DIRECTED TO THE TRANSPORTATION ADMINISTRATION COLLECTION FUND AND OTHER FUNDS

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House Bill 4990 (H-2)

House Bill 4991 (H-1)

Sponsor: Rep. Felicia Brabec

Committee: Appropriations

Complete to 9-19-23

SUMMARY:

House Bills 4990 and 4991 would amend the Michigan Vehicle Code and the State Personal Identification Card Act, 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, 2023, to October 1, 2027.

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 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. In the FY 2023-24 DOS budget, \$153.5 million is appropriated from TACF, or 55% of the department's total budget.

Record Look-Up Fees

House Bills 4990 and 4991 would extend the sunset on and raise fees for DOS record look-up services for motor vehicles. 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 boilerplate in the General Government appropriations act. The legislature has set the fee at \$11 per record look-up since the start of FY 2016-17. The fee was raised \$3 in FY 2016-17 from \$8 to support costs of developing the department's vehicle and driver computer system, Customer and Automotive Records System (CARS). 2005 PAs 172, 173, and 174 directed record look-up fee revenue to TACF to further address the revenue shortfall in supporting the department's administrative costs and use of GF/GP to cover these costs.

Other changes included in HB 4990 are striking vehicle registration rates no longer in effect after December 31, 2016, and eliminating the \$100 cap on certain civil fines for not providing required information.

The TACF fees sunset date was most recently extended four years, from October 1, 2019 to October 1, 2023, by 2019 PAs 80, 81, and 88.

Traffic Law Enforcement and Safety Fund

House Bill 4990 would extend the sunset on two regulatory fees that are deposited into funds other than TACF. The first is a vehicle registration transaction fee that 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 established in 2003 PA 152 and collects fee revenue from multiple sources. HB 4990 would extend a \$2.25 earmark collected from vehicle registration taxes provided for in section 801 of the Michigan Vehicle Code to October 31, 2027. The fee sunset was last extended in 2019 to October 31, 2023.

Scrap Tire Regulatory Fund

The other fee not deposited into TACF is the tire disposal surcharge authorized under section 806 of the Michigan Vehicle Code. The bill would extend the December 31, 2023 sunset on the fee to December 31, 2027. 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 Tire 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 title in 2003. The surcharge sunset was last extended in 2019 to December 31, 2023.

MCL 257.208b et seq. (HB 4990)

MCL 28.297 (HB 4991)

FISCAL IMPACT:

Sunset Extension

Extension of the fee sunsets would sustain revenues that support current funding levels by permitting the continued expenditure of fee revenue beyond October 1, 2023 for DOS and MSP and beyond December 31 2023 for EGLE. The FY 2023-24 budgets for each of these departments assume the availability of revenue from these fees. If authorization to expend the fee revenue expires, departments would need to request alternative funding sources to offset the decreases or reduce department operations. Without the bills, DOS would be authorized to collect only \$2.2 million of the approximately \$131.2 million in annual fee revenues. The remaining \$2.2 million in fee revenue is authorized under various other sections of the Michigan Vehicle Code and is not subject to a fee sunset. These revenues are shown separately in Figure 1. All TACF revenue is directed by statute to DOS for vehicle and driver related operations.

If the fee revenue was no longer authorized for DOS to expend, approximately \$51.0 million of record look-up fee revenue annually would be deposited to the general fund instead of to TACF, and most vehicle registration fee revenue would go to the Michigan Transportation Fund, which is distributed to the state and local units of government for road construction and maintenance.

Traffic Law Enforcement and Safety Fund

Of every \$8 vehicle registration transaction service fee collected, \$2.25 is deposited into TLESF. Revenue to TLESF is primarily expended for the enforcement of traffic laws by at-post state troopers. The total annualized revenue maintained by the elimination of the fee sunset under the bill would be approximately \$17.5 million. The enacted FY 2023-24 MSP budget assumes the availability of registration fee revenue to TLESF.

Scrap Tire Regulatory Fund

Revenue collected under the tire disposal surcharge generated \$4.0 million in revenue in FY 2021-22 and is projected to continue at similar levels in future fiscal years. The enacted FY 2023-24 EGLE budget assumes the availability of surcharge revenue to the fund.

Increase to Record Look-Up Fee and TACF Revenue

The bills would also increase revenue to the TACF by approximately \$18.5 million annually by increasing the fee for record look-up services from \$11.00 to \$15.00. This revenue increase would help align annual TACF revenue with ongoing budgeted expenditures to prevent future revenue shortfalls. Increasing costs to the secretary of state and steady revenue have led to expenditures annually exceeding revenue, resulting in a regularly anticipated future revenue shortfall. To address this imbalance, the legislature has appropriated one-time funding increases for three consecutive years, with \$18.0 million being transferred from the Comprehensive Transportation Fund in FY 2020-21, \$18.0 million GF/GP in FY 2021-22, and \$19.0 million GF/GP in FY 2022-23. The \$4.00 fee increase would provide ongoing restricted fund revenue to eliminate the need for one-time increases.

Without the \$4.00 fee increase, inflationary adjustments, or any additional one-time funding increase, annual outspending of revenue would result in an estimated revenue shortfall for DOS of \$10.8 million by FY 2024-25 and \$40.3 million by FY 2025-26.

In FY 2023-24, DOS anticipates the collection and deposit of approximately \$130.0 million into TACF. The FY 2023-24 enacted budget appropriates \$153.5 million from TACF. The enacted budget assumes the use of a balance in the fund carried forward from previous fiscal years. Due to prior year one-time funding increases, a carry forward balance in the fund of over \$30.0 million is anticipated at the close of FY 2022-23. Figure 2 below shows past and forecasted TACF revenue collections and expenditures.

Look-Up Fees in the Natural Resources and Environmental Protection Act (NREPA)

Three types of record look-up fees are authorized under NREPA. These fees are for look-up services for watercraft, off-road vehicles, and snowmobile records. HB 5007 would make the same changes to those record look-up fees in NREPA as HBs 4990 and 4991. This legislative and fiscal analysis for HBs 4990 and 4991 includes the changes in HB 5007 for record look-up fees only. For a summary and fiscal impact of all other changes in HB 5007, please refer to the House Fiscal Agency legislative and fiscal analysis for HB 5007.

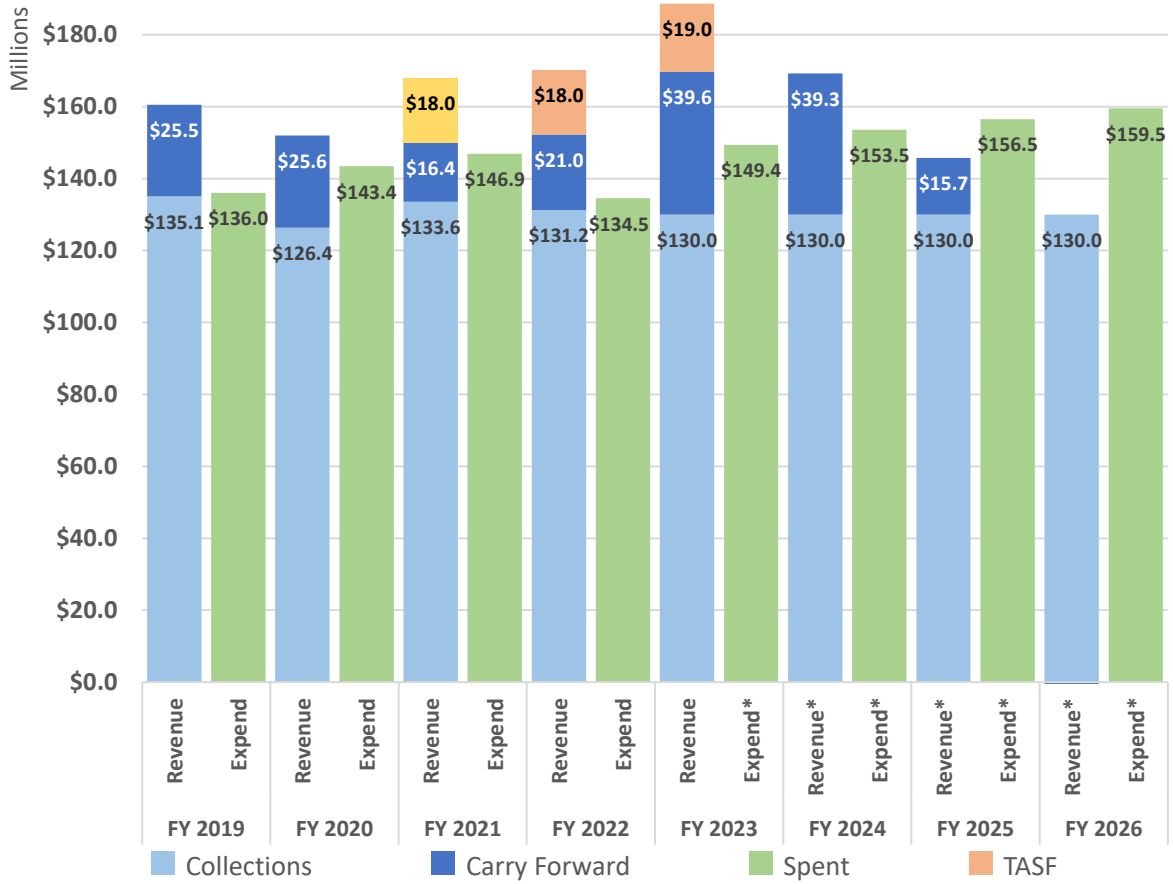
Figure 1 below provides a summary of fee revenue per transaction, total revenue collected in FY 2021-22 and the corresponding authorization.

Figure 1: Summary of Fees, Revenue, and Authorization

Fee Service	MCL	Fee Amount	FY 2021-22 Total Revenue
Amateur Radio Operator Registration Plate	257.217a	\$2	\$300
Bulk Driver, Vehicle List Sales	257.232	\$25	\$1.6 million
Veteran/Military Registration Plates	257.803r	\$5	\$88,100
Half-Year Commercial Vehicle Registration	257.802	\$10	\$1.9 million
Inter-State Special Registration	257.802(3)	\$10	
Temp Registration Plates and Markers	257.802(4)	\$5	
30 and 60 Permits	257.802(5)	\$10	
Repo, Delivery, and Auction Temp Registration	257.802(6)	\$40/\$20	
Special Mobile Equipment Registration	257.802(7)	\$15/\$5	
3-Month Tractor Truck Registration	257.802(8)	\$10	
12-Month Farm Truck & Trailer Registration	257.802(9)	\$20	
Farm Tractor Registration	257.802(11)	\$10	
3-Month Tractor Truck Registration	257.802(12)	\$10	
Registration Transaction	257.801	\$5.75	\$44.6 million
Registration Transaction	257.801	\$2.25	\$17.5 million (Dedicated to TLESF and MSP)
Personalized Registration Plate	257.803b	\$8/\$2/\$5/\$15	\$3.0 million
Duplicate Title and Expedited Service	257.803b	\$8/\$2/\$5	
Commemorative/Fund- raising, Special Organization Registration Plates	257.804	\$5/\$10	\$3.9 million
Replacement Plate	257.804	\$5/\$10	\$1.5 million
Vehicle Title Service Fee	257.806	\$3	\$9.1 million
Expeditious Title Service Fee	257.806	\$5	\$2.8 million

Salvage & Scrap Vehicle Title Tire Disposal Surcharge	257.806(3)	\$1.50	\$4.0 million (Dedicated to Scrap Tire Regulatory Fund and EGLE)	
Registration Transfer	257.809	\$10	\$9.4 million	
Subtotal			\$99.4 million	
Fees Without Sunsets				
Dealer License Late Fees	257.248(9)	Half of License Fee	\$8,400	
Lienholder Title Fees	257.808	\$1	\$1.1 million	
Fundraising Plate Service Fees	257.811h	\$10	\$376,800	
Nonpayment of Check Penalty	257.801a	\$20-\$60+	\$436,800	
Sample Plate Service Fee	257.811g	\$10	\$4,100	
Plate Hold Fee	257.227a	\$25	\$274,700	
Subtotal			\$2.2 million	
Record Look-Up Fees				
Fee Service	MCL	House Bill	Current Revenue	Revenue w/Fee Increase
Personal ID Records Look-Up	28.297	4991	\$52.6 million	\$71.1 million (\$18.5 million increase)
Commercial Records Look-Up Service	257.208b	4990		
Watercraft Title Records Look-Up	324.80315	5007		
ORV Records Look-Up	324.81114			
Snowmobile Records Look-Up	324.82156			
Grand Total TACF Revenue			\$131.2 million	\$149.7 million

Figure 2: Comparison of Past and Projected TACF Revenues and Expenditures



*Projected

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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.