

Fiscal Analysis

MICHIGAN VEHICLE CODE – FEE REVENUE AND DISTRIBUTION



Bill/Sponsor SENATE BILL 554 (H-7), Sen. Shirley Johnson
SENATE BILL 539 (H-3) Sen. Judson Gilbert

House Committee Transportation

Analysis Summary

SB 554 (H-7) 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 fees¹, and automobile dealer license fees.

The bill would increase various Department of State “service fees” generating a total annual revenue increase of \$70.1 million – based on Department of State revenue estimates.

The bill would also redirect \$56.4 million in various fees currently earmarked for the Michigan Transportation Fund (MTF) to a new Transportation Administration Collection Fund (TACF) created in Section 810b. The fee revenue directed to the TACF in the H-7 substitute would total \$74.4 million and which would be used to support Department of State costs of administration and enforcement of the Michigan Vehicle Code. Effectively, the TACF would offset MTF funds currently appropriated to the Department of State.

As shown in the table below, the H-7 substitute would also direct \$21.8 million in new fee revenue to a new Traffic law enforcement and safety fund (TLESF) created in section 819a. The section indicates that the Michigan State Police shall expend money from the TLESF, upon appropriation, “*only for 1 or more of the following purposes: (a) To enhance enforcement of traffic laws. (b) To enhance the ability to provide safety on the streets and highways of this state.*”

The \$21.8 million in fee revenue for the TLESF would come from an earmark of \$2.25 from fees in Section 801(3). The H-7 substitute would designate this \$2.25 fee as a *regulatory fee*.

Trailer fees - Both the H-2 and H-7 substitutes would increase trailer registration fees, and would assess the fees only one-time per owner – or when the Secretary of State reissued new registration plates for all trailers. The Department of State indicates that in FY 2001-02 trailer transactions generated \$30.2 million in MTF revenue. The department estimates these changes proposed in DB 554 would result in a one-time increase in MTF revenue in FY 2003-04 of \$76.7 million in the H-2 substitute, and \$107.9 million in the H-7 substitute.

The H-7 substitute differs from the H-2 substitute in its inclusion of “*trailer coaches*”, and in changes in the proposed new fee structure. These changes are made in Sections 801(1)(b) and 801(1)(l) of the H-7 substitute.

MTF revenue from trailer registrations would fall (from the \$30.2 million of FY 2001-02) in subsequent

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 valorem taxes provided in the Michigan Vehicle Code.

years since there would be no renewal registrations – only new and transfer registrations. The amount of the revenue reduction in subsequent years is indeterminate.

See table below for a representation of the fiscal impacts of the two substitutes.

Senate Bill 539 (H-3) – This bill would amend Section 10 of Public Act 51 of 1951 to provide for appropriations from the MTF and the TACF for the necessary expenses incurred in the administration and enforcement of the Motor Fuel Tax Act and the Michigan Vehicle Code. As noted above, under provisions of the H-7 substitute, \$74.4 million would be available in the TACF to support Department of State costs associated with administration and enforcement of the Michigan Vehicle Code. SB 539 (H-3) would also permit an appropriation of not more than \$20.0 million from the MTF to the Department of State.

Summary

SB 554 (H-7) would direct \$74.4 million to a new Transportation Administration Collection Fund - \$56.4 million redirected from the MTF, and \$18.0 million in new revenue. The bill would also direct \$21.8 million in new fee revenue to a new Transportation Law Enforcement and Safety Fund.

SB 539 (H-3) would permit appropriation of up to \$20.0 million from the MTF for the Department of State's expenses in administration and enforcement of the Michigan Vehicle Code.

See table below for a summary of revenue and distribution under SB 554 (H-7).

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

Summary of proposed revenue changes per SB 554.

Comparison of H-2 and H-7 substitutes

On-going revenue changes	SB 554 (H-2)			SB 554 (H-7)		
	<i>Fund shift</i>	<i>New Money</i>	<i>Total</i>	<i>Fund shift</i>	<i>New Money</i>	<i>Total</i>
GF/GP		25,000,000	N/A ¹		25,000,000	N/A ¹
MTF	(56,400,000)	5,300,000	N/A ¹	(56,400,000)	5,300,000	N/A ¹
TACF ^{2,3}	56,400,000	39,800,000	96,200,000	56,400,000	18,000,000	74,400,000
TLESF ⁴					21,800,000	21,800,000
Total	\$0	\$70,100,000	\$96,200,000	\$0	\$70,100,000	\$96,200,000
One-time revenue changes ⁵						
MTF (FY 2003-04)			76,700,000			107,975,000
Net Effect on the MTF						
Fee Increase			\$5,300,000			\$5,300,000
New TACF fees (offsets MTF)			39,800,000			18,000,000
One-time increase			76,700,000			107,975,000
Total for FY 2003-04			\$121,800,000			\$131,275,000

Abbreviations:

GF/GP = General Fund, MTF = Michigan Transportation Fund, TACF = Transportation Administration Collection Fund, TLESF - Traffic Law Enforcement and Safety Fund

Notes:

¹ N/A = we did not compute revenue total for MTF or GF/GP for this table.

² The TACF would offset MTF monies currently appropriated to the Dept. of State.

³ The \$96.2 million TACF revenue in the H-2 sub would replace the entire MTF grant to the Department of State.

The H-7 sub assumes a \$20.0 million MTF grant (provided in SB 539).

⁴ Funding for the TLESF would come from a \$2.25 regulatory fee in Section 801(3) and would be appropriated in the Michigan State Police budget.

⁵ The one-time revenue would come from increases in trailer fees in Section 801(1)(l). MTF trailer fee revenue would decline in subsequent years.

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Analyst(s)

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