

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 717 (Delegate Kramer, *et al.*)
Environment and Transportation

Vehicle Laws - Evidence of Required Security - Carrying While Operating
Vehicle

This bill requires the driver of a motor vehicle to carry evidence of required security (generally, auto insurance) while operating the vehicle. The evidence may be in either a paper or electronic format.

The bill takes effect January 1, 2016.

Fiscal Summary

State Effect: General fund and Transportation Trust Fund (TTF) revenues increase, likely significantly, from enhanced police enforcement of the Maryland Vehicle Law's requirement to maintain adequate security and the prohibition against driving with lapsed security (under current law or the bill), which result in the collection of additional civil penalties and uninsured motorist fines. Enforcement of the bill can be handled with existing resources.

Maryland Automobile Insurance Fund (MAIF) Effect: Assuming that enforcement of the requirement to maintain adequate security results in an increase in lapsed security penalties, additional drivers may apply to MAIF for policy coverage.

Local Effect: The bill is not anticipated to materially affect local operations or finances.

Small Business Effect: Potential meaningful benefit for small business automobile insurance providers to the extent that greater enforcement of the requirement to carry adequate security results in additional customers.

Analysis

Current Law: Although the owner of any motor vehicle that is required to be registered in Maryland must maintain required security for the vehicle during the registration period, there is no requirement that proof of insurance be carried by the driver of a motor vehicle while operating a vehicle. However, Chapters 210 and 211 of 2012 established the requirement for the operator of a *moped or motor scooter* to carry proof of insurance while operating the vehicle. Chapters 210 and 211 did not specify whether or not the proof of insurance should be in paper or electronic format.

The Motor Vehicle Administration (MVA) may not issue or transfer the registration of a motor vehicle unless the owner or prospective owner of the vehicle provides satisfactory evidence to MVA that the required security is in effect. If the required security for a vehicle lapses at any time, the registration of that vehicle is suspended automatically as of the date of the lapse, effective within 60 days after notification to MVA. The registration remains suspended until the vehicle owner submits evidence of replaced security on a designated MVA form, certified by the insurance provider, along with the uninsured motorist penalty fee.

If the required security for a vehicle lapses, MVA may assess the owner of the vehicle a penalty of \$150 for each vehicle without the required security for the first 30 days. Beginning on the thirty-first day, the fine increases by a rate of \$7 for each day, but the total fine may not exceed \$2,500 annually, not including the additional misdemeanor penalty of up to \$500, which may be prepaid with a fine of \$290. Operating a vehicle without adequate security is a misdemeanor penalty of \$500, which may not be prepaid, and results in the imposition of five points on the driver's record.

Background: According to the American Automobile Association Digest of Motor Laws, at least nine states (California, Colorado, Idaho, Louisiana, Minnesota, Missouri, Nevada, New Mexico, and Washington) have enacted laws requiring that proof of insurance be carried by the driver of a vehicle during its operation.

State Revenues: Fines collected under the escalating penalty structure for lapsed security are directed from Maryland Department of Transportation under a specified allocation formula to the Department of State Police's Vehicle Theft Prevention Fund, the School Bus Safety Enforcement Fund, MAIF, and the balance to the general fund. Each distribution is capped, except the amounts distributed to TTF (30%) and to the general fund (remainder after all other distributions). Thus, any increase in penalty revenues under the bill only results in an increase in revenues for TTF and the general fund. In addition, general fund revenues increase due to the collection of additional misdemeanor penalties collected by the District Court.

A reliable estimate of the increase in TTF and general fund revenues cannot be made due to considerable uncertainty regarding the effect of the bill on the enforcement of violations for driving without required security or allowing required security to lapse during a vehicle's registration period, as well as which provision of law a driver may be cited for violating under current law and/or under the bill. However, *for illustrative purposes only*, TTF revenues may increase by about \$1.2 million and general fund revenues may increase by about \$2.9 million in fiscal 2016, which accounts for the bill's January 1, 2016 effective date, under the following information and assumptions:

- about \$83.5 million in uninsured driver penalties were collected in fiscal 2014;
- the collection of such penalties decreased by an annual average of 3% between fiscal 2010 and 2014, and this rate continues in fiscal 2015;
- there were 8,763 violations of the requirement to maintain required security during a vehicle's registration period in fiscal 2014, of which 4,228 resulted in a trial, 935 violations were prepaid, and 3,600 violations remained open cases (and open cases result in the same proportion of prepayments and trials);
- there were 16,593 violations of the prohibition on driving without required security in fiscal 2014, all of which require a court appearance;
- it is assumed that 50% of trials result in conviction and the average penalty assessed is \$300;
- all penalties remain at the same level in the future; and
- the bill's requirement enhances the ability of law enforcement to discover such violations and results in a 10% increase in penalty revenues collected from prepaid fines and court-assessed fines, from violations of the bill and/or under current law.

The actual increase in TTF and general fund revenues may vary significantly to the extent that actual experience differs from any of the assumptions discussed above, and particularly to the extent that the bill enhances enforcement of uninsured driving violations to a greater or lesser extent than described above, which assumes a 10% increase in fine revenues. For example, if fine revenues increase by 25%, then TTF revenues increase by \$2.9 million and general fund revenues increase by \$7.4 million in fiscal 2016.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of State Police, Maryland Department of Transportation, Judiciary (Administrative Office of the Courts), American Automobile Association, Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2015
md/ljm

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