

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1081 (Senator McCray)
 Education, Energy, and the Environment and
 Budget and Taxation

Education - Public Schools - Driver Education and Transportation to Field Trips

This bill establishes the Driver Education in Public Schools Grant Program (and a corresponding special fund) to provide grants to public schools and nonprofit organizations to assist public schools in offering driver education courses to students. Likewise, the bill establishes the State-Aided Institutions Field Trip Grant Program (and a corresponding special fund) to assist public schools in transporting students to field trips at State-aided educational institutions. The bill modifies the manner in which uninsured motorist penalties must be calculated and the distribution of the penalty revenues to include funding for the two new programs and to increase funding for the Vehicle Theft Prevention Fund (VTPF) and the Maryland Automobile Insurance Fund (MAIF).

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) and general fund revenues increase by \$6.5 million and \$15.1 million, respectively, in FY 2025; future year revenues reflect annualization and account for the additional distributions under the bill, which include \$2.6 million in total for the two new funds. Accordingly, special fund expenditures increase by \$2.6 million annually beginning in FY 2026 for the new grant programs. **This bill alters and establishes mandated distributions beginning in FY 2026.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	\$15.1	\$15.2	\$15.2	\$15.2	\$15.1
SF Revenue	\$6.5	\$12.2	\$12.2	\$12.2	\$12.2
SF Expenditure	-	\$2.6	\$2.6	\$2.6	\$2.6
Net Effect	\$21.6	\$24.8	\$24.8	\$24.8	\$24.7

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

MAIF Effect: No effect in FY 2025. Nonbudgeted revenues for MAIF increase by \$1.3 million in FY 2026; future years reflect required adjustments for inflation. Nonbudgeted expenditures are not directly affected, but additional funding is available for authorized purposes.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
NonBud Rev.	\$0	\$1.3	\$1.3	\$1.4	\$1.4
NonBud Exp.	\$0	-	-	-	-
Net Effect	\$0.0	\$1.3	\$1.3	\$1.4	\$1.4

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Beginning in FY 2026, local school system revenues and expenditures increase to the extent that they apply for and receive funding from the two grant programs established by the bill for authorized purposes.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Driver Education in Public Schools Grant Program and Fund

This bill establishes the Driver Education in Public Schools Grant Program within the Maryland State Department of Education (MSDE) to provide grants to public schools and nonprofit organizations to assist public schools in offering driver education courses for students, consistent with specified provisions of State law related to driver education programs. MSDE must (1) administer the program; (2) establish application procedures for the program; and (3) award grants from the program.

Subject to the availability of money in the fund, a public school or nonprofit organization may apply for a grant under the program for expenses paid or incurred (or that will be paid or incurred) to offer a driver education course for students, as specified. When making grants, MSDE must prioritize (1) public schools at which at least 40% of the registered students are eligible for the federal free or reduced-price meal program and (2) nonprofit organizations working to offer a driver education course in a school at which at least 40% of the registered students are eligible for the federal free or reduced-price meal program.

The Driver Education in Public Schools Fund is a special, nonlapsing fund not subject to reversion to the general fund. The fund consists of money received from fines for vehicle security lapses under specified provisions of the Transportation Article and any other money from any other source accepted for the benefit of the fund. The fund may be used only for providing grants under the program and administrative costs of the program. Any interest earnings accrue to the general fund.

MSDE must adopt regulations to carry out these requirements.

State-Aided Institutions Field Trip Program and Fund

The bill establishes the State-Aided Institutions Field Trip Grant Program within MSDE to provide grants to public schools to provide transportation to students for field trips to educational institutions that are qualified as State-aided educational institutions under specified provisions of State law. MSDE must (1) administer the program; (2) establish application procedures for the program; and (3) award grants from the program.

Subject to the availability of money in the fund, a public school may apply for a grant under the program for expenses paid or incurred (or that will be paid or incurred) to provide transportation to students for field trips to educational institutions that are qualified as State-aided educational institutions under specified provisions of State law. When making grants, MSDE must prioritize public schools at which at least 40% of the registered students are eligible for the federal free or reduced-price meal program.

The State-Aided Institutions Field Trip Fund is a special, nonlapsing fund not subject to reversion to the general fund. The fund consists of money received from fines for vehicle security lapses under specified provisions of the Transportation Article and any other money from any other source accepted for the benefit of the fund. The fund may be used only for providing grants under the program and administrative costs of the program. Any interest earnings accrue to the general fund. MSDE must adopt regulations to carry out these requirements.

Uninsured Motorist Penalty – Structure and Distribution

The bill modifies the escalating penalty structure for lapsed security on a motor vehicles registered in the State (commonly referred to as uninsured motorist penalties) by:

- authorizing the Motor Vehicle Administration (MVA) to assess the owner of the vehicle a penalty of \$100 for each vehicle without the required security for the first 15 days (instead of \$150 for the first 30 days);
- authorizing MVA to assess the owner of a vehicle an additional penalty of \$200 (for a total of \$300, instead of a total of \$150 as noted above) for each vehicle without the required security for a period of 16 to 30 days after termination or lapse;
- increasing the fine that begins on the thirty-first day from \$7 for each day to \$9 for each day; and
- increasing the maximum fine that may be imposed in a 12-month period from \$2,500 to \$3,000.

The bill also modifies the annual distribution of the uninsured motorist penalties, beginning in fiscal 2026, by:

- increasing the allocation to VTPF from \$2.0 million to \$3.0 million;
- requiring that \$2.0 million be allocated to the Driver Education in Public Schools Fund;
- requiring that \$600,000 be allocated to the State-Aided Institutions Field Trip Fund; and
- rebasing the amount allocated to MAIF at \$6.0 million in fiscal 2026, with future year allocations adjusted for inflation.

Current Law:

Driver Education Schools

MVA is required to, in consultation with MSDE, adopt and enforce regulations to implement a standardized driver education program conducted by driver education schools. The regulations must include curriculum, equipment, and facility standards for classroom, laboratory, and on-road instruction phases, as well as minimum student performance standards for an approved driver education program consisting of at least 30 hours of classroom instruction and at least 6 hours of highway driving instruction. Regulations must also include standards for the certification of schools and instructors; a system to evaluate the effectiveness of the driver education program; standards governing the required offering of the driver education program (based on the capacity, enrollment, staff, and facilities of the schools); and standards for the eligibility of individuals to enroll in the program.

Driver Education Programs

Each local board of education may offer instruction in the safe operation of a motor vehicle to high school students who are age 15 or older. The instruction must be given as provided by specified provisions of the Transportation Article related to driver education schools (described below). Each local board must determine whether the course is an elective or required course. The State Board of Education must determine what credit, if any, is allowed to successful students of the course. The principal of each school that offers the driver education course must arrange the time set aside for actual driving instruction so that it does not interfere with other work. Each motor vehicle used for instruction must bear the identification required by MVA. If practicable, the actual driving instruction must be conducted on private or public property that is removed from State roads.

However, in February 2017, due to unsustainable costs, including vehicle, insurance, instructor, course material, and maintenance expenses, the State Board of Education abolished the regulations for driver education programs in public schools. Currently, no public school systems are certified by MVA to provide driver's education.

Required Security

Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. 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. After receiving this notice, MVA must make a reasonable effort to notify the owner of the vehicle that registration on the vehicle has been suspended. 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. Additionally, Chapter 549 of 2022 prohibits MVA from assessing a penalty for a vehicle if the vehicle's registration plates are returned within 10 days after the termination or lapse and other specified conditions are met.

Uninsured Motorist Penalties and Revenue Distributions

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 in a 12-month period, not including the additional misdemeanor penalty of up to \$500, which may be prepaid with a fine of \$290. Knowingly operating a vehicle without adequate security is a misdemeanor, subject to maximum penalties of a \$1,000 fine and/or one year imprisonment for a first offense and a \$1,000 fine and/or two years imprisonment for a subsequent offense. The violation requires a court appearance, results in the imposition of five points on the driver's record and subjects the driver to participation in the Driver Improvement Program.

A portion of the fines collected under the escalating penalty structure for lapsed security (commonly referred to as uninsured motorist penalties) is retained by MVA (30%) for specified purposes; the rest (70%) is directed under the following allocation formula:

- \$600,000 to the Safe Schools Fund;
- \$2.0 million to VTPF;
- a specified amount to MAIF based on the amount provided in the prior fiscal year adjusted for inflation, with specified calculations for fiscal 2024; and
- the balance to the general fund.

Maryland Automobile Insurance Fund

Created by the General Assembly in 1972, MAIF is an independent nonbudgeted State agency. Through its Insured Division, MAIF provides automobile liability insurance to residents of the State who are unable to obtain policies in the private insurance market. As the insurer of last resort, MAIF is not in direct competition with the private insurance industry because a customer must generally have been turned down by other insurers (and meet other requirements) in order to obtain a policy with MAIF.

Like other insurers, MAIF is primarily funded through premiums on the insurance policies it issues; however, MAIF is authorized to issue an assessment paid by other motor vehicle insurers in the State if it experiences a significant operating loss (as defined by State law) and meets other specified conditions. This is to ensure MAIF's continued viability as the insurer of last resort. The assessment is grouped and paid separately by private passenger auto insurers and commercial auto insurers. Once an insurer pays the assessment, they are authorized to recoup the cost from their policyholders.

State/MAIF Fiscal Effect:

Uninsured Motorist Penalties

As the bill increases penalties for uninsured motorists effective October 1, 2024, additional revenues are collected in fiscal 2025 and shared between TTF (30%) and the general fund (70%) – which assumes current other allocations are held harmless, as further discussed below. Beginning in fiscal 2026, a full year of additional revenues is collected and shared according to the new distributions under the bill. Thus, TTF retains 30% and most of the balance still accrues to the general fund as shown in **Exhibit 1**. Nevertheless, MAIF, with its funding rebased to \$6.0 million, receives additional funding of \$1.3 million or more each year (since the amount is adjusted upward for inflation), the two newly established special funds each begin to receive an allocation (totaling \$2.6 million), and the allocation for VTPF is increased by \$1.0 million.

Based on fee payment patterns in fiscal 2023, as reported by MVA, total penalty revenues increase by \$21.6 million in fiscal 2025 and \$28.7 million annually thereafter. Accordingly, TTF revenues increase by \$6.5 million in fiscal 2025 and \$8.6 million annually thereafter; general fund revenues increase by approximately \$15.1 million (or more) annually beginning in fiscal 2025. Annually, beginning in fiscal 2026, monies allocated to other special funds (the two new funds and VTPF) increase by \$3.6 million and nonbudgeted revenues for MAIF increase by approximately \$1.3 million (or more).

Exhibit 1
Effect of the Bill on Additional State Revenues and Related Distribution
Fiscal 2025-2029
(\$ in Millions)

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Total Additional Revenues	\$21.6	\$28.7	\$28.7	\$28.7	\$28.7
30% Retained by TTF	\$6.5	\$8.6	\$8.6	\$8.6	\$8.6
Allocation of Other 70%	\$15.1	\$20.1	\$20.1	\$20.1	\$20.1
Safe Schools Fund	0.0	0.0	0.0	0.0	0.0
VTP Fund	0.0	1.0	1.0	1.0	1.0
DEPS Fund	0.0	2.0	2.0	2.0	2.0
SIFT Fund	0.0	0.6	0.6	0.6	0.6
Total Other Special Funds	\$0.0	\$3.6	\$3.6	\$3.6	\$3.6
MAIF	0.0	1.3	1.3	1.4	1.4
Total Nonbudgeted	\$0.0	\$1.3	\$1.3	\$1.4	\$1.4
Balance to General Fund	\$15.1	\$15.2	\$15.2	\$15.2	\$15.1

DEPS: Driver Education in Public Schools Fund

MAIF: Maryland Automobile Insurance Fund

SIFT: State-Aided Institutions Field Trip Fund

TTF: Transportation Trust Fund

VTP: Vehicle Theft Prevention Fund

Note: Numbers may not sum to total due to rounding.

Source: Motor Vehicle Administration; Department of Legislative Services

This estimate assumes that:

- under current law, projected uninsured motorist penalty revenues of \$97.5 million for fiscal 2025 would otherwise be maintained at that level through fiscal 2029;
- changes to the penalty structure result in uninsured motorist penalty revenues collected by MVA increasing to \$126.2 million on an annualized basis through fiscal 2029;
- only in fiscal 2025 (due to the bill's October 1, 2024 effective date), uninsured motorist penalty revenue collections reflect one-fourth of the year under current law

projections and three-fourths of the year under the higher penalty structure – thus, penalty revenues are assumed to increase to \$119.1 million that year;

- the higher penalty structure does not have a significant deterrent effect;
- an inflation rate of 2.5% beginning in fiscal 2027 for calculating the required adjustment to the allocation that accrues to MAIF; and
- required allocations for fiscal 2025 are assumed to be held harmless.

Although the bill results in additional revenues for TTF, VTPF and MAIF, it does not require additional expenditures for the Maryland Department of Transportation, VTPF, or MAIF. However, beginning in fiscal 2026, the two new special funds are capitalized and expenditures are assumed to be consistent with the annual funding provided.

Maryland State Department of Education

MSDE requires one new grant manager to manage the two grant programs and special funds established by the bill. As both new special funds can be used for administrative expenses, this analysis assumes that any staffing and related operating costs are paid by some combination of the two special funds. Annual administrative costs of between \$85,000 and \$120,000, beginning in fiscal 2026, reduce the amount of funding available for grants to schools and/or nonprofit organizations.

Local Fiscal Effect: Beginning in fiscal 2026, both the Driver Education in Public Schools Grant Program and State-Aided Institutions Field Trip Grant Program may distribute funds to qualified local school systems. Thus, for any public school that applies to the programs and receives funding, local school system revenues and expenditures increase correspondingly to complete the relevant activities authorized under each program.

Additional Comments: The bill appears to inadvertently make ineffectual certain existing uninsured motorist penalty distributions for fiscal 2025. Nevertheless, this analysis assumes that the entities that receive an allocation are held harmless that year and that distributions expected for fiscal 2025 are made as under current law before the effective date of the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland State Department of Education; Department of Budget and Management; Maryland Department of Transportation; Maryland Automobile Insurance Fund; Baltimore City Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; Prince George's County Public Schools; Department of Legislative Services

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