

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 787 (Delegate Poole, et al.)  
Commerce and Government Matters

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Vehicle Laws - Traffic Stops - Proof of Insurance

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This bill requires Maryland vehicle owners to keep proof of insurance in their vehicles. It also requires law enforcement officers who detain drivers to require them to provide proof of insurance unless they are not the owner of the vehicle. If the owner of a vehicle cannot provide proof of insurance, the officer must provide a form to be sent to the Motor Vehicle Administration to prove that the vehicle is insured. Failure to provide proof of insurance is subject to existing penalties for not having insurance.

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Fiscal Summary

**State Effect:** General fund revenues would increase by \$1.6 million in FY 1997 and by \$2.2 million annually. Transportation Trust Fund revenues would increase by \$574,000 in FY 1997 and by \$765,000 annually, offset by expenditures of \$738,000 in FY 1997 and more than \$600,000 annually.

(\$ in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$1.633	\$2.178	\$2.178	\$2.178	\$2.178
SF Revenues	0.574	0.765	0.765	0.765	0.765
SF Expenditures	0.678	0.604	0.625	0.648	0.671
Net Effect	(\$0.104)	\$2.339	\$2.318	\$2.295	\$2.272

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

**Local Effect:** None. Enforcement could be handled with existing resources.

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Fiscal Analysis

**Background:** In 1995 law enforcement officers issued more than 1,177,000 citations. The

fine for an uninsured vehicle is \$150 for the first 90 days without insurance and \$7 per day for each additional day up to \$2,500 per year. Although fines collected under this provision are distributed to the Transportation Trust Fund (TTF), the Maryland Automobile Insurance Fund (MAIF), the Vehicle Theft Prevention Fund (VTPF), and the State general fund, the payments to the MAIF and the VTPF are capped. As existing revenue is sufficient to exceed these caps, only the TTF and the general fund are affected by this bill.

**State Revenues:** It is estimated that this bill would result in fines being levied against 11,750 people who do not have insurance. Penalties are determined by the amount of time a vehicle has been uninsured. Assuming an average penalty of \$250, Transportation Trust Fund revenue would increase by \$573,900 in fiscal 1997 and \$765,200 annually. General fund revenues would increase by \$1.633 million in fiscal 1997 and \$2.178 annually.

**State Expenditures:** Transportation Trust Fund expenditures could increase by an estimated \$738,226 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring 12 Customer Service Representatives, six Office Assistants, three Data Device Operators, and one Office Supervisor to process proof of insurance statements and penalties for lack of insurance. It includes salaries of \$241,776 for 22 positions, fringe benefits, capital costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are:

- the MVA would be responsible for printing proof of insurance forms to be given to vehicle owners who cannot give the officer proof of insurance;
- the MVA will have to process 235,000 proof of insurance forms; and
- the MVA will have to process 11,750 cases in which the person does not have insurance.

Salaries and Fringe Benefits	\$	365,486
Start-up Expenses		149,506
Capital Costs		80,000
Printing		32,250
Operating Expenses		<u>50,484</u>
<b>Total FY 1997 State Expenditures</b>	<b>\$</b>	<b>677,726</b>

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

The MVA advises that data processing expenditures could increase by an estimated \$60,500

to program the changes proposed in this legislation. The Department of Fiscal Services advises that if other legislation is passed requiring data processing changes, economies of scale regarding computer programming changes could be realized. This would reduce the computer programming costs associated with this bill and other legislation affecting the MVA data processing system.

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**Information Source(s):** Department of Transportation (Motor Vehicle Administration), Department of State Police, Dorchester and Garrett Counties, Department of Fiscal Services

**Fiscal Note History:** First Reader - February 27, 1996

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