

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 740 (Senator Young, *et al.*)
Judicial Proceedings

Baltimore City - Bail Bonds

This bill authorizes the Governor to appoint a bail bond commissioner to administer the rules of court regarding bail bondsmen in Baltimore City. The bill requires bail bondsmen in the circuit court and the District Court for Baltimore City, to pay the court a license fee of 1% of the gross value of all bonds written in the circuit court and the District Court, provided that the fee is approved by the circuit court and the District Court. All bail bond fees (10% to the bail bond agency, 1% to the appropriate court) must be paid in full when the bail bond is posted. One-half of the fee must be used for payment of any expenses incident to the administration of the bail bond commissioner's position, and one-half must be used for any expenses of the Baltimore City Public Safety Trust Fund.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues. No effect on expenditures.

Local Effect: Potential increase in local revenues. No effect on expenditures, as discussed below.

Small Business Effect: Potential meaningful impact on small businesses in Baltimore City providing bail bond services as discussed below.

Fiscal Analysis

Background: This bill is similar to the current law which established a bail bond commissioner's office in Prince George's County. The Office of the Bail Bond Commissioner in Prince George's County oversees and administers bail bonding activity

pertaining to licensed bondsmen or surety companies. The office is maintained by a license fee charged against each bail bond written. The Bail Bond Commissioner collects the license fees and all absolute circuit court bond forfeitures where a licensed bondsman or surety company is involved. Revenues generated by the office are deposited in the county's general fund.

State Revenues: Fines and fees collected by the District Court are deposited in the State's general fund. This bill establishes a license fee to be collected by the District Court to support the bail bond commissioner's position and the Baltimore City Public Safety Trust Fund. For illustrative purposes, assuming that \$15 million worth of corporate bonds are filed annually in the District Court for Baltimore City, approximately \$75,000 (.5% of \$15 million) would be used for the bail bond commissioner's position. The remaining \$75,000 in revenues would go to the Baltimore City Public Safety Trust Fund, which has yet to be established. If the trust fund is not established, it is assumed that the remaining half percent of the license fee would be deposited in the State's general fund.

Although counties generally receive all fines and fees paid to the circuit courts, the State general fund receives approximately 5% of all funds collected by the clerk of the court. Assuming that the position of bail bond commissioner is a State position in the clerk's office, a handling fee of 5% would be deducted from the 1% license fee collected by the clerk of the court. If the position of bail bond commissioner is a local position, Baltimore City would be entitled to all of the revenue collected.

Local Revenues: In fiscal 1996, \$3.6 million in corporate bonds were filed in the circuit court for Baltimore City. Assuming that 1% of the \$3.6 million is paid to the circuit court under this bill (minus the 5% the State receives from everything the clerk collects), approximately \$17,100 would be used for the administration of the bail bond commissioner's position. The remaining \$17,100 in revenues would go to the Baltimore City Public Safety Trust Fund. If the trust fund is not established, it is assumed that the remaining half percent of the license fee would be deposited in the Baltimore City general fund.

Local Expenditures: The bill is revenue-neutral as to the administration of the bail bond commissioner's position, since the position's expenses would be paid out of half of the license fee collected against each bail bond written.

Small Business Effect: This bill would require bail bond agencies to pay the court one percent of the gross value of all bonds written in the circuit court. Presumably, bail bond agencies would pass this additional cost on to their clients in the form of higher fees. However, the bail bond agencies fees are determined by the insurance companies who promulgate rate filings. A rate filing is the stated premium that a bail bondsman may charge

on a bond. The current rate filing is 10% of the face value of a bond. Two percent of the fee is paid to the underwriting insurance company, and eight percent goes to the bail bond agency as commission. In order for the bail bond agencies to pass the additional cost on to their clients, they would have to have the insurance company submit a rate filing increase request to the Maryland Insurance Administration.

If the one percent license fee cannot be passed on to their clients, bail bond agencies may have to absorb the fee and thus reduce their revenues significantly.

Information Source(s): Judiciary (Administrative Office of the Courts), Maryland Insurance Administration, Bail Bond Association of Maryland, Baltimore City, Department of Fiscal Services

Fiscal Note History: First Reader - March 4, 1997

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