

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 141 (Senator Stone)  
(Task Force to Study Motor Vehicle Liens, Regulation of Towing Practices, and the Disposition of Unclaimed Vehicles)

Judicial Proceedings

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Vehicle Laws - Regulation of Towing Practices

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This bill provides that “tow truck operators” must be licensed by the Motor Vehicle Administration (MVA). The MVA must establish licensing requirements, terms, and fees, and may deny, suspend, or revoke a license. Licensees must provide certain information to consumers when towing a vehicle at the owner’s request, including the costs of the tow, the price of storage charges, the manner in which charges may be paid, and the times when the vehicle may be retrieved. Violations of these consumer disclosure requirements would be considered unfair or deceptive practices. Further, the bill caps fees for third party storage facilities and for non-consent tows and sets limits on the number of salvage certificates that may be awarded to tow truck operators.

The licensure scheme must be fully implemented by October 1, 1999. Any person who violates any provision of the bill is subject to a fine of up to \$10,000 or imprisonment of up to one year, or both.

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Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) revenues could increase by \$844,200 in FY 1999. Future years reflect a two-year renewal cycle and assumes a 3% industry growth rate and a 97% renewal rate. TTF expenditures could increase by \$382,100 in FY 1999, exclusive of administrative hearings and computer reprogramming costs. Potential increase in general fund revenues and expenditures due to the bill’s penalty provision.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	\$844,200	\$315,400	\$844,200	\$315,400	\$844,200
SF Expenditures	382,100	371,600	378,000	390,100	402,500
Net Effect	\$462,100	(\$56,200)	\$466,200	(\$74,700)	\$441,700

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

**Local Effect:** Potential increase in revenues and expenditures due to the bill's penalty provision.

**Small Business Effect:** Meaningful impact on small businesses.

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### Fiscal Analysis

**State Expenditures:** The MVA must adopt regulations governing the licensing of towing services, including establishing grounds for refusal, suspension, or revocation of licenses; establishing license application and renewal requirements; setting an annual fee; and requiring evidence of compliance. The MVA anticipates that it will: conduct an inspection biannually for each tow truck company in the State; review applications; monitor companies' consumer notification procedures; inspect tow trucks for scanners; investigate complaints; and issue and track salvage certificates.

It is estimated that the MVA will require five Compliance Representatives, three Customer Service Representatives, one Administrator, and one Office Secretary to administer the requirements of the bill. Additionally, one contractual Customer Service Representative will be needed in the first year to assist with the initial workload. As a result, TTF expenditures would increase by an estimated \$382,114 in fiscal 1999. This figure reflects salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and a 90-day start-up delay. The information and assumptions used in calculating the estimate are stated below:

- 32 MVA employees currently regulate and license 2,000 auto dealers; and
- there are approximately 500 towing companies operating 3,000 trucks.

Salaries and Fringe Benefits	\$247,769
Three Vehicles for Compliance Representatives	37,800
Operating Expenses	<u>96,545</u>
<b>Total FY 1999 State Expenditures</b>	<b>\$382,114</b>

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

The five compliance representatives will be required to travel extensively throughout the State to make inspections of tow truck companies and their storage facilities. The MVA advises that they will require five new vehicles at a cost of \$63,000 in fiscal 1999.

However, Department of Legislative Services (DLS) advises that the Maryland Department of Transportation (MDOT) generally underutilizes their fleet of pool vehicles. MDOT may be able to reallocate some of the required vehicles to MVA in order to make more effective use of the vehicles that they already own. It is estimated that MVA will only need to purchase three vehicles at a cost of \$37,800.

The MVA advises that computer programming expenditures could increase by an estimated \$30,000 to modify the computer programs as proposed in this legislation. DLS advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the MVA system. Further, DLS advises that the increased computer expenditure is simply an estimate and the MVA may be able to handle the changes with either less money than it estimates or existing resources.

Hearings will be provided to contest any action taken by the MVA against tow truck operators including refusal of licensure. It costs the MVA approximately \$52 in reimbursable funds for each MVA hearing conducted by the Office of Administrative Hearings. The number of hearings that may be administered as a result of this bill is uncertain. To the extent that hearings are requested, TTF expenditures could increase.

General fund expenditures could increase as a result of the bill's incarceration penalty due to increased payments to counties for reimbursement of inmate costs, depending upon the number of convictions and sentences imposed.

**State Revenues:** The MVA must establish a fee to cover the costs of the program. The MVA anticipates that it will require a biennial license fee of \$250 for each company. Also, the bill requires that there be visual means of proof on each tow truck that is licensed. Accordingly, MVA will require that the side windows of each tow truck display stickers proving licensure. The MVA expects to charge a biennial sticker fee of \$335 per pair. Assuming 500 companies are licensed and 2,987 tow trucks will require stickers, TTF revenues could increase approximately \$1,159,600 every two years.

Additionally, DLS notes that by statute, the MVA must recover 85%, but not more than 90%, of its budget from miscellaneous fees. As estimated, the proposed fees are projected to outweigh the costs of the program.

General fund revenues could increase under the bill's monetary penalty provision for those cases heard in the District Court, depending upon the number of convictions and fines imposed.

**Local Revenues:** Revenues could increase under the bill's monetary penalty provision for those cases heard in the circuit courts, depending upon the number of convictions and fines imposed.

**Local Expenditures:** Expenditures could increase as a result of the bill's incarceration penalty depending upon the number of convictions and sentences imposed.

**Small Business Effect:** There are an estimated 500 tow truck companies operating approximately 3,000 vehicles. It is assumed that the majority of these companies are small businesses. The licensing requirements provided by the bill could increase the cost of doing business and could create barriers to market entry for new small businesses. Licensees would be required to pay an estimated \$250 biennially to be licensed and practice in the State. They would also be required to pay a biennial sticker fee of approximately \$335 for visible evidence of licensure on each tow truck.

Prior to each tow, the tow truck operator must give the owner or driver of the vehicle a written statement that contains various information about the service including the costs of the tow, the price of storage charges, the manner in which charges may be paid, and the times when the vehicle may be retrieved. Towers of abandoned vehicles will be required to give notice to the local police department, the owner, secured parties, and insurers of the vehicle by certified mail within a certain time frame. A second notice must be sent if no response was received from the first notice. These requirements will add procedures for tow truck companies and therefore increase their costs of doing business.

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**Information Source(s):** Department of Transportation (Motor Vehicle Administration), Department of State Police, Office of the Attorney General, Department of Legislative Services

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