

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

House Bill 1264 (Delegate Dvorski. *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 (MVA) 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 \$1.5 million in FY 1999 and by \$2.1 million annually thereafter. Transportation Trust Fund revenues would increase by \$661,000 in FY 1999 and by \$881,000 annually, offset by expenditures of \$676,000 in FY 1999 and more than \$743,000 annually thereafter.

(\$ in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$1.542	\$2.056	\$2.056	\$2.056	\$2.056
SF Revenues	0.661	0.881	0.881	0.881	0.881
SF Expenditures	0.676	0.743	0.768	0.795	0.822
Net Effect	\$1.527	\$2.194	\$2.169	\$2.142	\$2.115

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

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

**Small Business Effect:** None.

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## Fiscal Analysis

**Background:** In fiscal 1997 law enforcement officers issued 1,076,659 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 about 20% of vehicle owners will not have insurance information readily available at the time of a traffic stop. Of these, approximately 5% will not have the required insurance coverage. Therefore, it is estimated that this bill would result in fines being levied against 11,750 people. 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 \$660,900 in fiscal 1999 and \$881,200 annually. General fund revenues would increase by \$1,542,200 in fiscal 1999 and \$2,056,200 annually.

**State Expenditures:** Transportation Trust Fund expenditures could increase by an estimated \$676,344 in fiscal 1999, which reflects the bill's October 1, 1998 effective date. This estimate reflects the cost of hiring 21 Customer Service Representatives, three Supervisors, and one Chief of Section to process proof of insurance statements and penalties for lack of insurance. It includes salaries of \$490,247 for 25 positions, fringe benefits, 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 process 235,000 proof of insurance forms; and
- ° the MVA will process 11,750 cases in which the person does not have insurance.

Salaries and Fringe Benefits	\$510,817
Start-up Expenses	122,500
Printing	7,403
Operating Expenses	<u>35,624</u>
<b>Total FY 1999 State Expenditures</b>	<b>\$676,344</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 MVA advises that data processing expenditures could increase by an estimated \$80,000 to update records to reflect that traffic stops were made and an insurance violation was found. The Department of Legislative Services (DLS) 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. 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.

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

**Fiscal Note History:** First Reader - March 15, 1998

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