

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 135 (Senator Bromwell)

Judicial Proceedings

Vehicle Laws - Insurance Verification Before Vehicle Emissions Test

This bill requires vehicle owners to provide proof of continuous insurance since the last registration date before a vehicle can be submitted for a vehicle emissions inspection (VEIP) test. The Motor Vehicle Administration (MVA) must notify vehicle owners of this requirement when notices are sent out to vehicle owners about their test date. Failure to show proof of continuous insurance could result in the suspension of the vehicle's registration and other penalties assessed by the MVA.

Fiscal Summary

State Effect: Potential significant increase in Transportation Trust Fund expenditures. Potential minimal revenue increase due to the applicable penalty provision.

Local Effect: None.

Small Business Effect: Meaningful impact on small businesses.

Fiscal Analysis

State Effect: Approximately 1.4 vehicles a year must undergo a vehicle emission inspection test. The MVA's expenditures would increase because the bill places new requirements on administering the VEIP program. Vehicle owners will be required to provide proof of continuous insurance since the most recent registration. This proof must be on a form approved by the MVA (probably the FR-19 form that is currently used). This form will have to be provided by the issuing insurance agent. It is estimated that there will be multiple costs associated with changing the way the VEIP program is run.

The MVA advises that Transportation Trust Fund expenditures could increase by an estimated \$200,431 in fiscal 1999, which accounts for the bill's October 1, 1998 effective

date. This estimate reflects the cost of hiring 10 Customer Service Representatives (CSRs) to answer questions regarding the new VEIP procedures. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Currently, the MVA's VEIP unit consists of 14 CSRs and answers approximately 16,000 phone calls each month. The MVA assumes that 10 new positions will be needed to respond to 11,400 additional phone calls per month as a result of this bill. Future year expenditures would reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The Department of Legislative Services (DLS) advises, however, that at this time there is no basis on which to estimate how many additional calls will have to be handled regarding the new requirements. For illustrative purposes, if the MVA receives only 6,000 additional calls per month, it is likely that only five new positions would be needed.

Verification of continuous insurance forms at the VEIP testing stations could increase the time vehicle owners will have to wait. The MVA estimates that the increased wait could be as much as six to seven minutes, in which case one additional lane would be required for each of the 19 existing VEIP stations. Construction costs associated with these alterations would be \$6,650,000 (\$350,000 per lane for each of the 19 stations).

In addition to the construction costs, additional personnel would have to be hired to operate the new lanes. These costs would be \$407,550 (66 hours/week, \$6.25/hour, 19 stations, 52 weeks/year). (Even though these employees would work for MARTA, the contractor which administers the State's VEIP program, it is possible that the State would have to pay at least part of the cost because of the contract that the State has with MARTA. MARTA is required by contract to meet certain requirements, one of which is minimizing wait time. If MARTA has to construct new lanes at the VEIP stations, it could force the contract to be renegotiated.) Likewise, MARTA employees will need additional training to deal with the new requirements. This cost is estimated at \$50,000 in the first year and \$5,000 a year after that.

DLS advises that it is difficult to accurately determine how much, if any, time would be added to a customer's wait. If the wait is no more than one or two minutes longer, it is unlikely that any additional construction would be necessary. Also, it is difficult to determine at this time whether or not all the stations would have to be modified, and when.

State revenues could increase by an indeterminate amount as a result of the applicable penalty provision for failure to provide proof of insurance. The fine is \$150 for the first 30-day period and \$7.00 per day for each day after 30 up to a maximum of \$2,500. The MVA receives 30% of these fees and the Maryland Automobile Insurance Fund, the Vehicle Theft Prevention Fund, and the general fund share the remaining 70%.

Amending the VEIP brochure that is sent out to vehicle owners outlining the new test requirements is estimated to cost \$12,500. In addition, the MVA advises that computer programming expenditures could increase by an estimated \$20,000 to modify the computer programs as proposed in this legislation. Costs for MARTA to modify their data system in order to take into account the most recent registration date are estimated to be between \$35,000 and \$50,000. 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.

Small Business Effect: Insurance companies that are small businesses will be affected by the bill. Insurance companies currently issue FR-19 forms to vehicle owners that are required to show proof of continuous registration. The bill would require all vehicle owners subject to the VEIP test to provide proof of insurance. Insurance companies would now have to make sure that vehicle owners receive the FR-19 form prior to the VEIP test. Based on the 1.4 million vehicles that are tested each year, it is likely that insurance companies would have to send out approximately 117,000 FR-19 forms each month, with postage costing an additional \$37,000 per month. Any other costs associated with processing the additional forms are indeterminate at this time.

Information Source(s): Maryland Department of Transportation (Motor Vehicle Administration); Department of Legislative Services

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Analysis by: Mike Sanelli

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710