

Department of Legislative Services  
 Maryland General Assembly  
 1999 Session

FISCAL NOTE

House Bill 272 (Delegate Pitkin, *et al.*)

Economic Matters

**Travel Agents - Bonding Requirement**

This bill generally requires travel agents to file evidence of financial security each year with the Consumer Protection Division of the Office of the Attorney General.

**Fiscal Summary**

**State Effect:** General fund expenditures could increase by \$155,200 reflecting 4 new staff positions, ongoing operating expenses, and one-time start-up costs. Out-year expenditures reflect annualization and growth. Minimal increase in general fund revenues and expenditures due to the bill's penalty provisions.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	155,200	200,500	207,800	215,400	223,300
Net Effect	(\$155,200)	(\$200,500)	(\$207,800)	(\$215,400)	(\$223,300)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

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

**Small Business Effect:** Potential meaningful. There are approximately 400 travel agents in Maryland, most of whom are assumed to work for small businesses. The bill requires travel agents to post a \$25,000 performance bond. The price of the bond will vary among travel agents based on financial risk.

## **Fiscal Analysis**

**Summary:** This bill requires sellers of travel and independent agents to file annually with the Consumer Protection Division of the Office of the Attorney General evidence of financial security. Evidence of financial security includes: (1) a \$25,000 surety or cash performance bond; (2) a \$25,000 certificate of deposit; (3) a \$25,000 irrevocable letter of credit; (4) proof of professional liability and errors and omissions insurance in an amount of \$1,000,000; or (5) \$25,000 in cash or securities, a statement from a licensed financial institution guaranteeing the seller's or independent agent's performance, or a security interest in property with a value of \$25,000 that is deposited with the division.

The bond or other evidence of security benefits individuals who sustain a monetary loss as a result of fraud, misrepresentation, breach of contract, financial failure, or violation of the bill's provisions by the seller or independent agent, or for whom services were not delivered as a result of the wrongful act of the seller or independent agent.

The division may waive the annual filing requirement if: (1) the seller or independent agent has been in business under the same ownership for a period of 3 consecutive years in Maryland; (2) there has not been a legal action instituted against the seller or independent agent by a governmental agency arising out of employment as a seller or independent agent; (3) there has not been an action instituted against the seller or independent agent involving fraud, theft, misappropriation of property, or moral turpitude; and (4) the seller or independent agent has a satisfactory consumer complaint history. The division is authorized to revoke a waiver if the seller or independent agent violates the bill's provisions.

Individual violators are guilty of a misdemeanor and on conviction subject to a fine not to exceed \$500 or imprisonment not to exceed 1 year or both. For subsequent violations, individual violators are subject to a fine not to exceed \$1,000 or imprisonment not to exceed 2 years or both. Business entity violators are guilty of a misdemeanor and on conviction subject to a fine not to exceed \$2,000. For subsequent violations, business entity violators are subject to a fine not to exceed \$5,000.

The bill authorizes injured persons to bring a civil action, but limits the damages that a court may award to 3 times the loss to the injured person.

**State Expenditures:** General fund expenditures could increase by an estimated \$155,200 in fiscal 2000, which accounts for the bill's October 1, 1999 effective date. This estimate reflects the cost of hiring 1 assistant attorney general, 2 complaint supervisors, and 1 legal secretary to administer the provisions of the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

This estimate is based on the Consumer Protection Division's experience administering the

bonding requirements for health clubs. There are approximately 350 health clubs in Maryland, and there are approximately 400 travel agents. The Consumer Protection Division has 4 staff members handling the health club bonding requirements. Based on this, it is assumed that the division would need 4 additional staff members to handle the travel agent bonding requirements provided by the bill.

Salaries and Fringe Benefits	\$149,200
Operating Expenses	<u>6,000</u>
<b>Total FY 2000 State Expenditures</b>	<b>\$155,200</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 bill's incarceration penalty provisions could generate an insignificant increase in general fund expenditures.

**State Revenues:** Unlike the health club framework, this bill would not generate any revenues from fees because it does not require travel agents to register or pay annual fees. Health club members are required to register with the division and pay an annual fee ranging from \$50 to \$800. Last year the Consumer Protection Division collected \$114,343 in health club registration fees.

The bill's monetary penalty provisions could generate a minimal increase in general fund revenues.

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**Information Sources:** Attorney General's Office (Consumer Protection Division),  
Department of Legislative Services

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