

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 1132 (Delegate C. Davis)

Judiciary

Baltimore City - Bail Bonds

This bill extends court powers over bail bond operations currently authorized in the circuit courts to the District Court, and creates a bail bond commissioner for Baltimore City.

Fiscal Summary

State Effect: None. The bill's requirement for 1% license fee collections in the District Court in the Seventh Judicial Circuit codifies existing practice.

Local Effect: Significant annual special fund revenue and expenditure increases.

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

Fiscal Analysis

Bill Summary: The bill requires 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.

In addition, the bill extends the license fee of 1% of the gross value of bonds currently applicable in the Seventh Judicial Circuit (Calvert, Charles, Prince George's, and St. Mary's counties) to also apply to the District Court for those jurisdictions.

Background: The Office of the Bail Bond Commissioner in the Seventh Circuit oversees and administers bail bonding activity pertaining to licensed bondsmen or surety companies. The office is maintained by a 1% license fee charged against the gross value of each bail bond written in the circuit court and the District Court. The Bail Bond Commissioner collects the license fees and all absolute circuit court bond forfeitures where a licensed bondsman or surety company is involved. In fiscal 1998 bail bondsmen paid \$338,360 in 1% license fees in the circuit court and District Court in Prince George's County alone. Revenues generated by the office are deposited in the county's general fund. This commissioner is a local government official in this circuit and not attached to the circuit court clerks office, which is a State funded operation.

Local Revenues: Since this bill's provisions are similar to those that govern the bail bond commissioner operations in the Seventh Judicial Circuit, it is assumed that the Baltimore City Commissioner would also be established as a local official in the Eighth Judicial Circuit and outside of the court clerk's office.

The Administrative Office of the Courts reports that an estimated \$5 million in bonds are filed yearly in the Baltimore City Circuit Court. After the 5% draw to the State general fund, this bill would generate approximately \$23,750 for the administration of the operations of the bail bond commissioner for Baltimore City and \$23,750 to be deposited in the Baltimore City Public Safety Trust Fund. It should be noted that the Baltimore City Public Safety Trust Fund does not currently exist, and the bill does not establish the 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.

In the District Court, bail bonds may be written by clerks of the court and court commissioners. As in most jurisdictions, in Baltimore City the vast majority are written by the 45 commissioners because most of this activity occurs at night and over weekends when court clerks are unavailable. The District Court reports that there were 1,213 property bonds and 11,072 corporate bonds written in the District Court for Baltimore City in 1998.

The total value of these bonds is unknown because the amount of private or corporate property used to cover a bond amount may greatly exceed the amount required and no cash currently changes hands. The District Court also wrote 895 cash bonds in the city in 1998 with a total cash value of approximately \$1.6 million.

Based on comparative 5-year criminal trial data from the Seventh and Eighth Judicial Circuits and the District Court, this bill could generate 2.6 times the revenue for Baltimore

City as is currently generated in Prince George's County. Accordingly, while it is difficult to reliably predict actual revenue collections under these provisions, this bill could generate a total of \$879,736 of new revenue. Of that amount, \$439,868 would go to cover the administrative costs of a bail bonds commissioner in Baltimore City, with any excess remaining in the city's general fund. The remaining \$439,868 would be deposited to the Baltimore City Public Safety Trust Fund.

Local Expenditures: Baltimore City general fund expenditures would depend on the number of people hired in addition to the bail bond commissioner and the amount of supplies and equipment determined necessary to perform their functions. In the Seventh Judicial Circuit there are two positions assigned to bail bond commissioner's operations, including the commissioner. Their annual operating budget, including salaries and fringe benefits, is approximately \$80,000. A similar new operation in Baltimore City could include additional clerical personnel as well as start-up costs for computers and specialized programming. In any event, it is assumed that all such additional expenditures could be covered by the additional revenues (\$439,868) cited above.

Expenditures from the Baltimore City Public Safety Trust Fund are unknown and cannot be reliably projected because the fund does not currently exist and the bill provides no guidance or instruction as to fund expenditures.

Small Business Effect: This bill would require bail bond agencies to pay the court 1% 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 8% 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 1% 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 (The District Court of Maryland, Administrative Office of the Courts), Baltimore City, Prince George's County, Department of Legislative Services

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