

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 1089 (Delegates McClenahan and W. Baker)

Commerce and Government Matters

Motor Vehicle Administration - Verification of Vehicle Registrations

This bill reduces the percentage of total vehicle registrations that the Motor Vehicle Administration must randomly select to verify compliance with insurance requirements from 10% annually to 5% annually. This reduced rate of vehicle registrations subject to annual insurance verification is effective June 1, 1999 through December 31, 1999. Following this period, the bill repeals the annual verification of insurance compliance effective January 1, 2000.

Fiscal Summary

State Effect: General fund revenue would decrease by \$83,100 and Transportation Trust Fund (TTF) revenue would decrease by \$35,600 in FY 2000 reflecting the partial repeal of the random insurance verification program. Future years reflect the total repeal of the program. TTF expenditures would decrease by \$82,000 beginning in FY 2001. Future years reflect inflation.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$83,100)	(\$105,000)	(\$105,000)	(\$105,000)	(\$105,000)
SF Revenues	(35,600)	(45,000)	(45,000)	(45,000)	(45,000)
SF Expenditures	0	(82,000)	(82,800)	(83,600)	(84,500)
Net Effect	(\$118,700)	(\$68,000)	(\$67,200)	(\$66,400)	(\$65,500)

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Effect: The MVA may assess an administrative penalty on owners of vehicles who let the required motor vehicle insurance lapse. The penalty is \$150 for each vehicle without the required insurance for a period of 1 to 30 days. For each day over 30 days, an additional \$7 is assessed. These revenues are allocated as follows: 30% to the MVA; approximately \$3.3 million to the Maryland Automobile Insurance Fund; \$2 million to the Vehicle Theft Prevention Fund; \$400,000 to the Motor Vehicle Registration Enforcement Fund; and the remainder to the general fund. In fiscal 1998, the MVA collected total penalties in the amount of \$25.1 million and retained approximately \$7.6 million.

The MVA could not provide information on the proportion of the penalty revenue generated from violations discovered during the random verification process. However, the MVA estimates that approximately 1,000 registrations are discovered that do not carry the required insurance each year. Assuming the minimum penalty for each case, annual revenue generated would be about \$150,000. Accordingly, eliminating the random verification process would decrease MVA revenues by \$45,000 and general fund revenues by \$105,000 annually beginning in fiscal 2001. Because the bill first reduces the percentage of total vehicle registrations which the MVA must randomly select to verify compliance with insurance requirements from 10% annually to 5% during the period between June 1, 1999 and December 31, 1999, the revenue loss for fiscal 2000 would be \$35,600 for the MVA and \$83,100 for the general fund.

The MVA employs four contractual full-time customer service representatives to verify insurance from random checks, correspond with insurance companies and vehicle owners, and issue registration suspensions. The annual cost associated with the salaries of such employees is approximately \$82,000. Beginning in fiscal 2001, following an initial period of follow-up from the previous year's random checks, the MVA will not require the services of such employees. Accordingly, TTF expenditures will decrease by about \$82,000 annually beginning in fiscal 2001.

Additional Comments: The MVA expects that its Automated Compulsory Insurance System will be operational by December 1999. This system will provide a more targeted search for required insurance violations. Each insurer will electronically report to the MVA all vehicle insurance policies that are issued, renewed, dropped, or canceled. From this information, the system will automatically determine which vehicles are uninsured and for what period of time. Any revenue loss associated with the elimination of random checks may be mitigated by the additional penalties assessed due to violations found by the new system.

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

Fiscal Note History:

First Reader - March 15, 1999

dmm/jr

Analysis by: Jody J. Minnich

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510