

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 900
Budget and Taxation

(Senator Garagiola, *et al.*)

Driver Responsibility Act

This bill creates a Medical Assistance Program Fund supported by additional license renewal fees authorized by the bill to be assessed against individuals with certain driving records.

Fiscal Summary

State Effect: Potentially significant increase in general fund revenues and special fund revenues and federal matching funds for the Medical Assistance Program Fund depending upon the fee collection rate. Significant increase in Transportation Trust Fund (TTF) expenditures in FY 2005 and annually thereafter. Out-year revenues reflect annualization and compound payments.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill requires an additional fee for renewal of a noncommercial Class A, B, C, D, E, or M driver's license if the licensee has five points or certain convictions on his or her driving record within three years, as shown below.

<u>Violation on Record</u>	<u>Fee</u>
Accumulation of five points for nonalcohol-related moving violations	\$100
Accumulation of more than five points for nonalcohol-related violations	\$25 per point
One conviction for driving while under the influence of alcohol or driving while impaired by alcohol or drugs in Maryland or for a similar offense in another jurisdiction	\$1,000 annually for three years
Two convictions for driving while under the influence of alcohol or driving while impaired by alcohol or drugs in Maryland or for a similar offense in another jurisdiction	\$1,500 annually for three years (in addition to the fee charged above)
Three or more convictions for driving while under the influence of alcohol or driving while impaired by alcohol or drugs in Maryland or for a similar offense in another jurisdiction	\$2,500 annually for three years (in addition to the fees charged above)

The Motor Vehicle Administration (MVA) must notify an individual who is subject to an additional fee within 30 days after the conviction is posted to his or her driver's record. A license must be suspended until all fees are paid. However, the MVA may not suspend an individual's license or must reinstate a suspended license if the payment schedule set by the MVA is followed. A person may not be assessed a fee more than once in a 12-month period.

The Medical Assistance Program Fund established by the bill must receive 25% of the fee revenues; the remaining balance is allocated to the general fund. The fund, to be administered by the Department of Health and Mental Hygiene (DHMH), is a special, nonlapsing fund under the State's Medical Assistance (Medicaid) program and may only be used to pay for that purpose. The bill states that program fund expenditures are not intended to substitute for funding that would otherwise be appropriated for medical expenses.

Current Law: Drivers in Maryland must renew their license every five years. The MVA charges a \$30 renewal fee. No additional fees are assessed due to an individual's driving record. Points that are assessed against a person's record for Maryland Vehicle Law violations (excluding alcohol convictions) are removed from the record two years after the date the points were assessed.

The District Court imposes \$28 for court costs and fees on moving violation convictions and \$60 for court costs and fees on drunk or impaired driving convictions. Most of the revenue from these charges is paid to the Comptroller and distributed by formula to various special funds, including the State Victims of Crime Fund, the Victim and Witness Protection and Relocation Fund, the Criminal Injuries Compensation Fund, and the Law Enforcement Training Fund.

A person who is convicted of driving or attempting to drive while under the influence of alcohol or alcohol per se is subject to a fine of up to \$1,000 (excluding court costs) and/or imprisonment for up to one year. The MVA is required to assess 12 points against the violator's license and the license is subject to revocation. A second offense subjects the violator to a fine of up to \$2,000 and/or imprisonment for up to two years. Any subsequent offense subjects the violator to a maximum fine of up to \$3,000 and/or imprisonment for up to three years.

A person who is convicted of driving or attempting to drive while impaired by a controlled dangerous substance is subject to a maximum fine of \$500 and/or imprisonment for up to two months. The MVA is required to assess 12 points against the violator's license, and the license is subject to revocation. A second or subsequent violation of driving or attempting to drive while impaired by a controlled dangerous substance subjects the violator to a maximum fine of \$500 and/or imprisonment for up to one year.

Background: New Jersey collects a surcharge that is broader than the one proposed by the bill. Drivers who accumulate six or more points are assessed \$100 for three years, and \$25 for each point above six. The \$100 surcharge also applies to driving without a license or without insurance on a moped. A \$250 annual charge is assessed against those who drive on a suspended license or drive a vehicle without insurance. Individuals with drunk driving convictions or who refuse to submit to a breathalyzer test must pay \$1,000 per year for three years. Those with three convictions must pay \$1,500 annually for three years.

Revenue from the surcharge, which became effective in 1984, supports a fund similar to the Maryland Automobile Insurance Fund that provides coverage for uninsured motorists. (After 2010, a portion of the revenue will be diverted to transportation bonds.) In 2003,

New Jersey collected approximately \$134 million. Failure to pay the New Jersey surcharge results in license suspension, but a person does not have to be licensed or have a registered vehicle to be subject to the charge.

If a driver does not pay, the Motor Vehicle Services Division files a certificate of debt with the Superior Court, subjecting the debtor to potential wage garnishment or property lien. Debtors will face an additional cost of up to \$200 for a civil judgment against them. New Jersey has a State revenue collections office that uses private vendors to collect debt; it does not have a State collection agency. The contractor who collects unpaid surcharges retains 12.1% of revenues for current debts that are outstanding for 90 or more days and 4.9% of revenue from debts collected from a surcharge imposed before June 1994.

The Maryland Medicaid and Children's Health programs provide comprehensive health care coverage to eligible low-income individuals and is partly financed by federal funds (50% match for Medicaid and 65% for Children's Health). The proposed fiscal 2005 budget allowance for Medicaid is almost \$4 billion, which includes two deficiency appropriations totaling \$188.7 million of federal funds. Medicaid accounts for approximately 15% of all State general fund spending and is one of the fastest growing segments of the budget – costs are projected to rise by 8% annually over the next five years.

State Revenues: General and special fund revenues will increase as a result of the fees; however, it is unclear what the revenue levels will be. It is assumed that DHMH would spend all Medical Assistance Program Fund revenues in the Medicaid and Maryland Children's Health programs. DHMH would receive 50% matching federal funds for all expenditures in the Medicaid program and 65% matching federal funds for all expenditures in the Maryland Children's Health program. The Department of Legislative Services (DLS) advises that the bill requires the MVA to give a person notice of the fee upon conviction but does not state when the fee must be paid. The estimate assumes payment upon conviction. DLS cautions that this estimate is subject to several caveats described below and advises that the full collection rate is provided *for illustrative purposes only*.

Based on fiscal 2003 alcohol conviction activity and current point assessments, general fund revenues would increase by \$14,103,915, accounting for the October 1 effective date, if all individuals paid. Revenues for the Medical Assistance Program Fund would be 25% or \$4,701,305. This estimate assumes that a total of 65,437 individuals will be subject to one of the fees in fiscal 2005, based on points assessed within the last two years. However, the annual number will decline in the out-years as not all violations triggering the five-point threshold will occur in one year. Under this scenario:

- 19,251 drivers with five points will pay \$100 (\$1,925,100);
- 27,272 individuals with over five points will pay \$25 per point (\$3,529,525); and
- 19,577 drivers with alcohol-related convictions or probations before judgment within three years will pay \$1,000 to \$2,500, including:
 - 17,670 individuals with one conviction who pay \$1,000 (\$17,670,000);
 - 1,161 individuals with two convictions or two probations who pay \$1,500 (\$1,741,500); and
 - 83 individuals with three or more convictions who pay \$2,500 (\$207,500).

Revenues will increase in the out-years as payments from new violations are added; however, it is difficult to forecast the number of new violations as conviction activity has fluctuated dramatically in the last few years. DWI and DUI District Court convictions (excluding PBJs) rose by almost 12% between fiscal 2000 and 2001, then declined by an average of 6.3% over the last two years. Moving violations lowered by 2.6% between fiscal 2000 and 2001, increased by 0.1% the following year, then dropped by 4.3% between fiscal 2002 and 2003. Accordingly, out-year revenues assume a constant level.

Collection Rate Scenarios

Estimates for general and special fund revenues, based on possible collection rates are described below. Lower revenues in fiscal 2008 reflect the end of payment for those who were assessed in fiscal 2005. The MVA advises that the collection rate may be as low as 44% based on its experience with uninsured motorists. This rate is the combined collection by the MVA and the Central Collection Unit (CCU), a State agency that collects certain outstanding State debts. CCU notes that insurance fee debts have a lower collection rate than other debts because motorists abandon the payment plan once they have satisfied enough of the payment plan to renew their registration. In fiscal 2002, \$54.7 million of penalties was owed from uninsured motorists, of which \$10.2 million was collected. The agency advises that it can garnish wages or impose a property lien for unpaid debts once a civil judgment is rendered. CCU generally retains 17% of the collected funds.

DLS concurs that a 100% collection rate is extremely unlikely despite the legal requirement for a driver's license to operate a motor vehicle. The rate could be higher

than what MVA projects but individuals who already have a suspended license will be less motivated to pay.

Furthermore, persons with one or more drunk driving convictions must pay other statutory fines and legal fees and could have financial difficulty paying additional fees. A person with three convictions would be required to pay up to \$5,000 per year under the bill, depending on the timing of convictions. DLS notes that the bill does not grandfather any convictions that existed before the bill's effective date. Accordingly, a person could face a fine of \$1,500 per year due to a conviction that occurred several years ago.

Revenues from Various Collection Rates
(\$ in millions)

<u>Rate</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
55%	GF: 7.8 SF: 2.6	GF: 16.7 SF: 4.5	GF: 25.2 SF: 8.4	GF: 25.2 SF: 5.8	GF: 18.0 SF: 6.0
44%	GF: 6.2 SF: 2.1	GF: 13.4 SF: 4.5	GF: 20.2 SF: 6.7	GF: 17.3 SF: 4.6	GF: 14.4 SF: 4.8
30%	GF: 4.2 SF: 1.4	GF: 9.1 SF: 3.0	GF: 13.8 SF: 4.6	GF: 9.8 SF: 3.1	GF: 9.8 SF: 3.8

GF: General Fund; SF: Medical Assistance Program Fund

Note: Revenue forecast for fiscal 2006-2009 assumes a constant number of new violations.

The revenue estimates are subject to certain limitations based on available data and the construction of the bill, as provided below.

- The timing of multiple DUI or DWI convictions is unknown; therefore, it cannot be estimated how many individuals will be subject to compound fees. The bill prohibits a fee from being assessed more than once a year so individuals with multiple convictions in one year would not be subject to an additional fee, at least in that year. Revenues will be higher than estimated to the extent that the additional fee is paid.
- Payment deadlines are not specified in the bill, as discussed above. If the MVA chose to collect the fees at license renewal, revenues at a 100% collection rate would be approximately \$2.4 million.
- As discussed above, convictions for offenses covered by the bill have declined in some recent years. Revenues could decline accordingly.

- Points on a driving record and related revenue will be fluid due to the two-year expungement. Further, the fee for points assessed within three years cannot be fully applied.

State Expenditures: TTF expenditures would increase significantly to collect the fees at the time of violation. Expenditures will vary depending on whether the billing is done internally or by a vendor. The MVA estimates that billing and collection, including handling bad check cases, answering inquiries, and sending 30-day and 60-day notices, would require over two dozen fiscal personnel and four supervisors at a cost of \$1.1 million. This cost does not include facilities for additional personnel – the MVA advises that it currently lacks sufficient space to accommodate such an increase in staff. The accounting department currently has five full-time employees to handle 10,000 to 12,000 bad check cases annually. DLS notes that the actual hiring requirements would likely be less but concurs that the MVA will incur significant costs and would have difficulty housing a substantial increase in accounting staff.

If the MVA contracts with a vendor to implement the bill's requirements, it would cost approximately 7% of the outstanding receivables. This amount will vary according to the number of drivers subject to the fine and the collection rate.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Department of Transportation, Department of Legislative Services

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