

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 72 (Chairman, Environmental Matters Committee)
 (By Request – Departmental – Transportation)

Environmental Matters

Motor Vehicle Administration - Dishonored Check Fees

This departmental bill increases the minimum amount of the Motor Vehicle Administration (MVA) service charge for a dishonored check from \$25 to the specified collection fee for a dishonored check under the Commercial Law Article, which is currently \$35. The service charge would be the greater of \$35 or 10% of the amount of the check.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would increase by \$75,000 in FY 2006 due to the increased fee for dishonored checks. Future years reflect annualization. TTF expenditures could increase minimally in FY 2006 only for computer programming changes.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$75,000	\$100,000	\$100,000	\$100,000	\$100,000
SF Expenditure	-	0	0	0	0
Net Effect	\$75,000	\$100,000	\$100,000	\$100,000	\$100,000

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

Local Effect: None.

Small Business Effect: The Maryland Department of Transportation has determined that this bill has minimal or no effect on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: When a check is dishonored by the bank, the MVA is entitled to collect a service charge of the greater of \$25 or 10% of the check's value.

Background: The MVA was granted authority to collect a service charge for dishonored checks in 1957. The minimum fee was increased to \$25 in 1991. In fiscal 2004, approximately 10,000 checks written to the MVA were returned by the bank because of insufficient funds.

The MVA advises that, while it has the statutory authority to collect a service charge of 10% of the amount of the dishonored check, in practice it never does so, and that the current service charge of \$25 is insufficient to cover the costs imposed by a dishonored check. This bill would allow the MVA to charge the same collection fee as other businesses.

State Fiscal Effect: TTF revenues would increase by \$75,000 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This increase in revenues is due to the \$10 increase in dishonored check fees and assumes that the MVA receives 10,000 dishonored checks in fiscal 2006, the MVA collects a service charge of \$35 on all dishonored checks, and that three-quarters of those checks are received after October 1. Assuming that the number of dishonored checks remains constant, revenues would increase by \$100,000 annually beginning in fiscal 2007.

TTF expenditures could increase by \$7,500 in fiscal 2006 only, the cost of one-time in-house computer reprogramming to reflect the change in the dishonored check fee. Legislative Services advises that, if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce the costs associated with this bill and other legislation affecting the MVA system.

Local Fiscal Effect: This bill would only affect local governments that submit checks to the MVA that are dishonored. Liability would increase by no more than \$10 per check.

Small Business Effect: This bill would only affect businesses that submit checks to the MVA that are dishonored. Liability would increase by no more than \$10 per check.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mam/ljm

Analysis by: Nora C. McArdle

Direct Inquiries to:
(410) 946-5510
(301) 970-5510