

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 383 (Delegate Bronrott)
 Environmental Matters

Driver Responsibility and First Responders Fund Act

This bill establishes a First Responders Fund to provide grants for local law enforcement and fire, rescue, and emergency medical services equipment and personnel. The bill imposes surcharges for points assessed on a driver’s license and certain drunk driving violations to provide revenue for the special fund.

Fiscal Summary

State Effect: Special fund revenues would increase by \$22.8 million in FY 2006 due to surcharge revenue. Future year revenues reflect annualization and the continuation of a three-year surcharge. Correspondingly, special fund expenditures in the Department of State Police would increase by \$5.7 million in FY 2006 to reflect grant awards to local first responders. Transportation Trust Fund (TTF) expenditures would increase by \$3.4 million in FY 2006. General fund expenditures would increase by \$45,000 in FY 2006 for State police administrative costs. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$22,834,100	\$53,279,600	\$83,725,100	\$91,336,500	\$85,336,500
GF Expenditure	45,000	54,700	57,900	61,400	65,100
SF Expenditure	9,082,100	16,395,600	24,196,300	26,303,600	26,524,400
Net Effect	\$13,707,000	\$36,829,300	\$59,470,900	\$64,971,500	\$58,747,000

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

Local Effect: Local government revenues from grants would increase by \$5.7 million in FY 2006 and by \$22.8 million in FY 2009. Local government expenditures would increase to the extent they apply for matching grants from the First Responders Fund.

Small Business Effect: None.

Analysis

Bill Summary: The purpose of the fund is to provide grants to county or municipal corporations to pay for equipment and new personnel for first responders which includes fire, rescue, or emergency medical services entities and local law enforcement agencies. The Secretary of State Police must administer the fund. This fund is intended to supplement current State and local funding for expenses for first responders, rather than supplant funding that would otherwise be appropriated by the State or by political subdivisions.

Grants may be used to purchase, replace, or improve equipment or facilities for first responders, or to hire additional personnel. A grant may not be used to fund salaries for existing personnel. The Secretary must establish procedures for grant proposals by political subdivisions, as well as guidelines as to what the money can be used for.

If a grant is to be used to purchase, replace, or improve equipment for first responders, the grant would be for one year and the political subdivision must provide matching funds in an amount equal to half the grant. If a grant is to be used to hire additional personnel, the grant would be for three years and the political subdivision must provide matching funds in an amount equal to 25% of the grant in the first year, 50% of the grant in the second year, and 75% of the grant in the third and final year.

The Motor Vehicle Administration (MVA) must assess a fee annually for three years for conviction of the offenses listed in **Exhibit 1**. The MVA must send notice of these fees no later than 30 days after a conviction is posted to the driver's record that makes an individual subject to the fees. If an individual does not pay these fees within a specified time period, the MVA must suspend the individual's license. The fees established would be in addition to any penalty assessed by a court.

Exhibit 1

<u>Offense</u>	<u>Fee Amount</u>
Points assessed on Class A, B, C, D, E, or M noncommercial driver's licenses for nonalcohol-related offenses	\$50 per point
First alcohol-related offense	\$600
Second alcohol-related offense ¹	\$1,200
Third or subsequent alcohol-related offense ²	\$1,800

¹In addition to \$600 for first offense if still applicable.

²In addition to \$600 for first offense and \$1,200 for second offense if still applicable.

Of the revenues collected, 25% will go to the First Responders Fund, and the balance will go to the TTF. The First Responders Fund will consist of this fee revenue, funds appropriated by the State budget, money from any source accepted to benefit the fund, and investment earnings.

Current Law: Points that are assessed against an individual's driving record for Maryland Vehicle Law violations (excluding alcohol convictions) are removed from the record two years after the date the points were assessed. Points for conviction range from 1 to 12 points.

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.

An individual who is convicted of driving or attempting to drive while under the influence of alcohol or alcohol per se or a controlled dangerous substance 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.

Miscellaneous Fees Provision

Miscellaneous fees are all fees collected by the MVA except for the vehicle titling tax and vehicle registration fees. The MVA must set the levels of miscellaneous fees so that the projected amount of total revenues from all miscellaneous fees is at least 95% but does not exceed 100% of the sum of:

- the operating budget of the MVA for that fiscal year as approved in the State budget;
- the average annual capital program for the MVA as reported in the six-year Consolidated Transportation Program; and
- the MVA's portion of the cost for that fiscal year of the operation of the Maryland Department of Transportation's (MDOT) data center operations.

The MVA must alter miscellaneous fees if the projected cost recovery exceeds 100%.

Background: New Jersey collects a surcharge similar to 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 2004, New Jersey collected approximately \$137 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.

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.

Maryland Emergency Medical Systems Operation Fund (MEMSOF)

MEMSOF provides financial support for the emergency medical services (EMS) system. Revenue for MEMSOF is from an \$11 annual surcharge on motor vehicle registrations for certain classes of vehicles. The fiscal 2006 allowance for MEMSOF from current year revenues was \$52.9 million. MEMSOF funds the following programs:

- Maryland State Police, Aviation Division (Medevac flights);
- the Maryland Institute for Emergency Medical Services Systems (oversees all components of the statewide EMS system);
- R. Adams Crowley Shock Trauma Center (the State's primary adult resource center for trauma treatment);
- Maryland Fire and Rescue Institute (trains people in basic level pre-hospital training for emergency system service providers);
- the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (provides grants for local jurisdictions for purchasing fire and rescue equipment and for capital building improvements); and
- the Volunteer Company Assistance Fund (a fund to assist volunteer fire, rescue, and ambulance companies with up to 75% of the cost of purchasing or refurbishing fire and rescue equipment and updating or replacing facilities).

The Maryland Emergency Management Agency has an allowance of \$22.7 million for grants in fiscal 2006; however, the majority of these grants are federal funded. There are also State Aid for Police Protection Grants and Local Aid Law Enforcement Grants. The allowance for such grants is \$65.4 million for fiscal 2006.

State Revenues: On an annualized basis, approximately \$39.5 million in new fees could be collected in the first year. Due to the bill's October 1, 2005 effective date, the amount of new fees imposed would total approximately \$29.7 million in fiscal 2006, of which \$22.8 million would actually be collected by the MVA. Of this amount 25% (\$5.7 million) would go to the First Responders Fund and the balance (\$17.1 million) would go to the TTF. **Exhibit 2** shows the allocation of the number of points issued per violation and the revenue generated under this legislation. This estimate is based on the following facts and assumptions.

- the number of nonalcohol-related offenses where points are assessed, the type of offenses committed, and the points assessed for each type of offense remain at fiscal 2004 levels (272,592 total violations, 527,896 points);

- the number of alcohol-related convictions (6,761) and probations before judgment (9,467) remain at fiscal 2004 levels;
- 75% of all alcohol-related offenses are first offenses, 15% are second offenses, and 10% are third or subsequent offenses;
- fees under this schedule are collected consistent with the MVA debt collection rate (77%); and
- the proposed bill is not retroactive against points currently on records.

Exhibit 2
Full-year Effect of Violations on Estimated Revenue

<u>Number of Points on Record</u>	<u>Number of Violations</u>	<u>Fee Assessed</u>	<u>Potential Annual Revenue Generated</u>	<u>Revenue Collected Each Year*</u>
Nonalcohol-related Offenses				
1	113,736	\$50	\$5,686,800	\$4,378,836
2	125,368	100	12,536,800	9,653,336
3	14,215	150	2,132,250	1,641,833
4	31	200	6,200	4,774
5	15,171	250	3,792,750	2,920,418
6	412	300	123,600	95,172
8	395	400	158,000	121,660
12	3,264	600	1,958,400	1,507,968
Subtotal	272,592		\$26,394,800	\$20,323,997
First Alcohol-related Offense	12,171	600	7,302,600	5,623,002
Second Alcohol-related Offense	2,434	1,200	2,920,800	2,249,016
Third Alcohol-related Offense	1,623	1,800	<u>2,921,400</u>	<u>2,249,478</u>
Total			\$39,539,600	\$30,445,493

*Given 77% debt collection rate.

Future year revenues could increase by \$53.3 million in fiscal 2007 and by \$91.3 million in fiscal 2009. This estimate is based on a constant number of individuals receiving driving violations and the cumulative effect of the three-year assessment of each fee imposed. **Exhibit 3** shows the allocation of fee revenues in future years.

Exhibit 3
Allocation of Fee Revenues

<u>Fiscal Year</u>	<u>Fee Revenue</u>	<u>Local Grants</u>	<u>TTF Expenditures</u>	<u>Net Revenue Retained by TTF</u>
2006	\$22,834,119	\$5,708,530	\$3,373,616	\$13,751,973
2007	53,279,611	13,319,903	3,075,678	36,884,030
2008	83,725,103	20,931,276	3,265,069	59,528,758
2009	91,336,476	22,834,119	3,469,474	65,032,883
2010	91,336,476	22,834,119	3,690,329	64,812,028

State Expenditures: It is assumed that the Department of State Police would distribute the monies in the First Responders Fund as grants; accordingly, special fund expenditures would increase by the amounts shown in Exhibit 3. Administrative expenses within the Department of State Police and the MVA could increase by \$3.4 million in fiscal 2006.

State Police Administrative Expenses

General fund expenditures within the Department of State Police could increase by an estimated \$44,986 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring one administrator to adopt procedures governing the distribution of grant funding, review grant applications, make grant awards to local governments, and reconcile and review quarterly and final reports submitted by local governments. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses

Salary and Fringe Benefits	\$37,705
Furniture and Equipment	5,080
Operating Expenses	<u>2,201</u>
Total Administrative Expenditures	\$44,986

MVA Administrative Expenses

TTF expenditures could increase by an estimated \$3.4 million in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring 55 customer service representatives and 11 customer service supervisors to process notifications to individuals with driving violations, assess and collect fee revenue, and

handle public inquiries. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- Approximately 289,000 individuals will commit driving violations each year subject to the three-year fee surcharge.
- Additional positions are based on the current staffing within the MVA Insurance Compliance Division, which handles a similar workload.

Salaries and Fringe Benefits	\$2,129,611
Computer Programming Expenses	500,000
Furniture and Equipment	634,722
Operating Expenses	<u>109,283</u>
Total Administrative Expenditures	\$3,373,616

In sum, State administrative expenditures could increase by \$3.4 million in fiscal 2006 and \$3.75 million by fiscal 2010. **Exhibit 4** shows the amount of administrative expenses by agency for fiscal 2006 through 2010. Future year administrative expenditures within the Department of State Police and the MVA: full salaries with 4.6% annual increases and 3% employee turnover; and 1% annual increases in ongoing operating expenses.

Exhibit 4
Administrative Expenses

<u>Agency</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
State Police	\$44,986	\$54,692	\$57,907	\$61,366	\$65,090
MVA	<u>3,373,616</u>	<u>3,075,678</u>	<u>3,265,069</u>	<u>3,469,474</u>	<u>3,690,329</u>
Total	\$3,418,602	\$3,130,370	\$3,322,976	\$3,530,840	\$3,755,419

Alternatively, the State could choose to enter into a relationship similar to the one that New Jersey has with its contractor. The contractor who collects unpaid surcharges retains 12.1% of revenues for current debts that are outstanding for 90 or more days. Assuming that the State hired this contractor to handle all collections, TTF expenditures

would increase by \$2.8 million in fiscal 2006 and by \$11.1 million in fiscal 2009. However, there is no provision in the bill to allow the MVA to use a private contractor to collect these fees.

Any increase in costs would become part of the MVA's operating budget, and as such would be offset by revenues generated by this bill under the miscellaneous fees provision.

Local Fiscal Effect: Local government revenues from grants would increase by \$5.7 million in fiscal 2006 and by \$22.8 million in fiscal 2009. Local government expenditures would increase to match the grants; however, the amount of these expenditure increases would depend on the type of grants disbursed and whether local governments decide to apply for a matching grant.

Additional Information

Prior Introductions: A bill assessing similar penalties for drivers with accumulated points on their records, SB 900, was introduced in the 2004 session and was scheduled to be heard by the Senate Budget and Taxation Committee. No further action was taken.

Cross File: SB 275 (Senator Garagiola, *et al.*) – Budget and Taxation.

Information Source(s): Department of State Police, Maryland Department of Transportation, Somerset County, Montgomery County, Prince George's County, Charles County, Baltimore County, Frederick County, Department of Legislative Services

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