

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 275

(Senator Garagiola, *et al.*)

Budget and Taxation

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 establishes the State Assistance for Police Protection Fund as a special fund to cover a portion of the State’s costs for the State Aid for Police Protection Fund (police aid formula). The bill imposes fees for points assessed on a driver’s license and certain drunk driving violations to provide revenue for these two special funds; the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund); and the Volunteer Company Assistance Fund (VCAF).

Fiscal Summary

State Effect: Special fund revenues would increase by \$3.8 million in FY 2006 due to fee revenue. Future year revenues reflect annualization and the continuation of a three-year fee. Correspondingly, special fund expenditures in the Maryland Emergency Management Agency (MEMA), the Board of Public Works (BPW), and the Department of State Police would increase by \$3.8 million in FY 2006, primarily to reflect grant awards to local first responders and local police. General fund expenditures for the police aid formula would decrease by \$2.9 million in FY 2006 due to the new funding source for a portion of this aid. Transportation Trust Fund (TTF) expenditures would increase by \$125,200 in FY 2006. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$3,830,300	\$6,064,600	\$7,341,400	\$7,660,600	\$7,660,600
GF Expenditure	(2,872,700)	(4,548,500)	(5,506,000)	(5,745,400)	(5,742,900)
SF Expenditure	3,955,500	6,215,500	7,501,100	7,829,900	7,840,200
Net Effect	\$2,747,500	\$4,397,600	\$5,346,300	\$5,576,100	\$5,563,300

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

Local Effect: Local government revenues from grants from the First Responders Fund and the Amoss Fund would increase by \$692,800 in FY 2006, escalating to \$1.4 million in FY 2009 and annually thereafter. Local government expenditures would increase by \$191,500 in FY 2006 and by \$383,000 in FY 2009 to match Amoss Fund grants. In addition, expenditures would increase to the extent that local governments apply for matching grants from the First Responders Fund.

Small Business Effect: None.

Analysis

Bill Summary: The purpose of the First Responders 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 Director of MEMA must administer the fund. MEMA may use up to \$100,000 each year for administrative expenses. 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 director 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 State Assistance for Police Protection Fund is intended to ensure a dedicated revenue source for the police aid formula.

The Motor Vehicle Administration (MVA) must assess a fee annually for three years for a conviction of specified offenses:

- \$50 for each point above five points for nonalcohol-related offenses; and

- \$300 for alcohol-related offenses.

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. An individual may prepay these fees. The fees established would be in addition to any penalty assessed by a court.

The MVA may enter into a contract with a private entity to collect these fees. These fees are not considered miscellaneous fees, and no portion of these fees is retained by the TTF.

Of the revenues collected, 15% will go to the First Responders Fund, 5% will go to the Amoss Fund, 5% to VCAF, and the balance to the State Assistance for Police Protection Fund.

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 and Correctional 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.

The State provides regular and supplemental grants to local government police operations via the police aid formula, which is currently supported with general funds. Qualifying municipalities share in the distribution of this aid.

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 an average of 8% of revenues.

Maryland Emergency Medical System Operations Fund

The Amoss Fund is funded through the Maryland Emergency Medical System Operations Fund (MEMSOF) and provides grants for local jurisdictions to purchase fire and rescue equipment and for capital building improvements.

The Volunteer Company Assistance Fund is also funded through MEMSOF and assists 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.

Grants from the Amoss Fund totaled \$10 million in fiscal 2004. The fiscal 2005 appropriation and fiscal 2006 Governor's proposed budget for the Amoss Fund is \$10 million each year, as are projected awards from the fund through 2010. The appropriation for VCAF was \$1,403,744 in fiscal 2005; the same amount is included in the Governor's proposed budget for fiscal 2006, and for projected awards from VCAF through fiscal 2010.

MEMA's function is to lead, coordinate, and support the State in a comprehensive management system to respond to emergency situations such as natural disasters or possible manmade disaster like a terrorist attack. MEMA has 57 authorized positions for fiscal 2005, and an appropriation of \$27.1 million for fiscal 2005, of which \$22.7 million is intended for grants, subsidies, and contributions. The fiscal 2006 Governor's proposed budget for MEMA includes \$22.7 million for grants; however, the majority of these grants are federal funded.

In addition, the Department of State Police distributes grants through the police aid formula; these grants totaled \$62.4 million in fiscal 2005. The fiscal 2006 Governor's proposed budget includes \$63.9 million in general funds for the police aid formula.

State Revenues: On an annualized basis, approximately \$6.6 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 \$5.1 million in fiscal 2006, of which only \$3.8 million would actually be collected by the MVA and available for distribution. Of this amount 15% (\$574,544) would go to the First Responders Fund, 5% (\$191,515) would go to the Amoss Fund, 5% (\$191,515) would go to VCAF, and the balance (\$2.9 million) would go to the State Assistance for Police Protection Fund. This estimate is based on the following facts and assumptions:

- The number of individuals with accumulated points above 5 points annually remains steady at February 16, 2005 levels (14,246 individuals).
- All points assessed to individuals who have more than 20 points accumulated annually are alcohol-related points (595 individuals).
- All points assessed to individuals who have 6 and 7 points (8,624 individuals) are nonalcohol-related points (55,029 total points of which 11,909 points are above 5).
- Most individuals (65%, 6,070 individuals) who have accumulated between 8 and 20 points annually have accumulated only alcohol-related points and have no points for other offenses.
- The other individuals (35%, 3,269 individuals) who have accumulated between 8 and 20 points annually have accumulated only nonalcohol-related points (36,148 total points, of which 19,805 are above 5).
- The number of alcohol-related offenses annually remains constant at fiscal 2004 levels (6,761 violations).
- One-half of all individuals who are subject to points fees pay all three years of fees at once (3,791).
- One-half of all individuals who are convicted of an alcohol-related violation pay all three years of fees at once (3,381).
- Fees under this schedule are collected consistent with the MVA debt collection rate of 77%.

This estimate reflects the MVA bad debt collection rate. If the MVA were to contract with an outside contractor, revenues could be greater if the contractor has a better ability to collect on bad debt. Alternatively, revenues could be lower if the contractor retains a percentage of debt collected.

Future year revenues would increase by \$6.1 million in fiscal 2007 and by \$7.7 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 for individuals who opt to pay fees on an annual basis. **Exhibit 1** shows the allocation of fee revenues in future years. To the extent that a lower percentage of individuals opts to prepay fees, revenues in the first three years could be slightly lower.

Exhibit 1
Allocation of Fee Revenues

<u>Fiscal Year</u>	<u>Fee Revenue</u>	<u>First Responders Fund</u>	<u>Amoss Fund</u>	<u>VCAF</u>	<u>SAPPF</u>
2006	\$3,830,293	\$574,544	\$191,515	\$191,515	\$2,872,720
2007	6,064,631	909,695	303,232	303,232	4,548,473
2008	7,341,395	1,101,209	367,070	367,070	5,506,047
2009	7,660,587	1,149,088	383,029	383,029	5,745,440
2010	7,660,587	1,149,088	383,029	383,029	5,745,440

Note: Up to \$100,000 of funds distributed to the First Responders Fund may be used by MEMA each year for administrative expenses.

State Expenditures:

Board of Public Works

BPW distributes funds for VCAF to the Maryland State Fireman’s Association, which administers VCAF grants to local volunteer fire companies. Legislative Services advises that the increase in VCAF funds from the distribution of fee revenue would not significantly increase the workload of BPW.

Department of State Police

The Department of State Police administers the police aid formula; however, the bill does not direct the department to administer the new State Assistance for Police Protection Fund, instead indicating that the fund should be held separate by the State Treasurer. It is assumed that the fund would not need to be administered, as its sole function is to cover some costs of the police aid formula; therefore, its only transactions would be to receive funds from the MVA and transfer funds to the Department of State Police for distribution. On that basis, it is assumed that the State Treasurer could administer the fund with existing resources.

As this bill retains the current police aid formula, total distributions under that formula would not increase; only the funding source would be altered. Accordingly, general fund expenditures for the police aid formula would decrease by \$2.9 million in fiscal 2006, escalating to \$5.7 million in fiscal 2009 and annually thereafter.

Senate Bill 214 and House Bill 239 of the 2005 session, both of which have passed, transfer control of the Amoss Fund to MEMA. Assuming that the transfer to MEMA is enacted into law, the Department of State Police will have no expenses associated with administering the Amoss Fund.

Maryland Emergency Management Agency

MEMA advises that it would require three employees to administer the First Responders Fund grants. Legislative Services advises that MEMA already coordinates approximately \$22.7 million in grants annually and works with local governments in that capacity. The work could therefore be handled by one full-time grant administrator and a part-time fiscal accounts technician. MEMA would bear no additional responsibilities for administering increased funds for the Amoss Fund.

Accordingly, special fund expenditures could increase by an estimated \$73,249 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$59,487
Operating Expenses	<u>13,762</u>
Total FY 2006 MEMA Expenditures	\$73,249

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

MEMA is authorized to direct up to \$100,000 annually to cover administrative costs for administering the fund. This funding would be sufficient to cover administrative expenses until fiscal 2010. In fiscal 2010, \$2,588 in administrative expenses would be covered by the general fund.

Motor Vehicle Administration

It is estimated that the number of individuals who would have to be contacted annually is approximately 14,246. Based on the current size of the MVA Insurance Compliance Division, which processes approximately 450,000 transactions annually, the MVA would

require three additional employees (two customer service agents and one additional customer service supervisor). Accordingly, TTF expenditures could increase by \$125,192 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date.

Salaries and Fringe Benefits	\$100,063
Start-Up Costs	15,240
Operating Expenses	<u>9,889</u>
Total FY 2006 MVA Expenditures	\$125,192

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

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 approximately 8% of revenues for debt collection. Assuming that the State hired this contractor to handle all collections, the TTF would not incur expenditures. Instead, revenues for the four special funds could decrease by 8% if the contractor's debt collection rate is equivalent to the MVA rate.

The MVA advises that computer reprogramming costs associated with this bill would be approximately \$600,000. Legislative Services advises that the MVA already requires individuals who have accumulated five points in two years to attend driver improvement courses, and therefore there is already a computer program in place that tracks how many points are accumulated on a licensed driver's record. Computer reprogramming would be a matter of altering that program for this purpose.

Any increase in MVA expenditures would become part of its cost recovery equation. As such, the MVA might need to alter its miscellaneous fees to cover the cost of these expenditures.

In sum, State administrative expenditures could increase by \$198,441 in fiscal 2006 and \$282,210 in fiscal 2010. **Exhibit 2** shows the amount of administrative expenses by agency for fiscal 2006 through 2010. Future year administrative expenditures within MEMA and the MVA reflect: full salaries with 4.6% annual increases and 3% employee turnover; and 1% annual increases in ongoing operating expenses.

Exhibit 2
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>
MEMA	\$73,249	\$86,406	\$91,415	\$96,798	\$102,588
MVA	<u>125,192</u>	<u>150,845</u>	<u>159,723</u>	<u>169,293</u>	<u>179,622</u>
Total	\$198,441	\$237,251	\$251,138	\$266,091	\$282,210

Local Fiscal Effect: Local government revenues from First Responders Fund grants would increase by \$501,295 in fiscal 2006 and by almost \$1.1 million in fiscal 2009. Local government expenditures would increase to match the First Responders Fund 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.

Local government revenues from Amoss Fund grants would increase by \$191,515 in fiscal 2006 and by \$383,029 in fiscal 2009. Local government expenditures would increase by the same amount to match Amoss Fund grants.

Additional Comments: The Senate amended House Bill 150 (the fiscal 2006 budget bill) to reduce funding for the police aid formula by \$13.7 million in fiscal 2006 contingent on the passage of this bill, assuming an equivalent amount would be available for the same purpose through the new fees. If the Senate position prevails, the general fund appropriation for the police aid formula would decrease by \$13.7 million, but only \$2.9 million in special funds would be available to offset the general fund reduction.

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: HB 383 (Delegate Bronrott) – Environmental Matters.

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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