

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
 Revised

Senate Bill 763

(Senator Garagiola, *et al.*)

Budget and Taxation

Environmental Matters

Driver Responsibility and Funding for First Responders Act

This bill establishes a First Responders Fund (FRF) to provide grants for local law enforcement and fire, rescue, and emergency medical services equipment and personnel. The bill imposes fees for points assessed on a driver’s license and specified drunk driving and controlled dangerous substance violations. These increases provide revenue for FRF; 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 \$2.5 million in FY 2007 due to fee revenue and by \$4.8 million in FY 2008. Future year revenues reflect annualization and the cumulative effect of the three-year fee assessment. Correspondingly, special fund expenditures in the Maryland Emergency Management Agency (MEMA) and the Board of Public Works (BPW) would increase by \$694,100 in FY 2007 and \$1.3 million in FY 2008, primarily to reflect grant awards to local first responders. Transportation Trust Fund (TTF) administrative expenditures would increase by \$126,800 in FY 2007. Although not reflected below, additional TTF expenditures for computer reprogramming could be incurred in FY 2007 only. In addition, TTF expenditures could increase due to additional funding available for transit in rural counties as well as the Baltimore and Washington metropolitan areas. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$2,509,900	\$4,774,900	\$5,811,800	\$6,221,200	\$6,221,200
GF Expenditure	0	0	0	0	4,600
SF Expenditure	820,900	1,477,700	1,792,900	1,877,700	1,888,400
Net Effect	\$1,689,000	\$3,297,200	\$4,018,900	\$4,343,500	\$4,328,200

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

Local Effect: Local government revenues from grants from FRF and the Amoss Fund would increase by \$519,200 in FY 2007, \$1.0 million in FY 2008, escalating to \$1.3 million in FY 2011. Local government expenditures would increase by \$119,200 in FY 2007, \$230,800 in FY 2008, and \$301,700 in FY 2011 to match Amoss Fund grants. In addition, expenditures would increase to the extent that local governments apply for matching grants from FRF.

Small Business Effect: None.

Analysis

Bill Summary: The purpose of FRF 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 Motor Vehicle Administration (MVA) must assess a fee annually for three years as follows:

- \$300 for conviction of specified alcohol-related and controlled dangerous substance offenses, even if committed in another jurisdiction; and
- \$50 for each point above five points for other offenses.

The District Court must provide a defendant with notice of the annual fee for alcohol-related and controlled dangerous substance offenses upon conviction.

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. A hearing concerning the proposed suspension must be limited as to whether the MVA had mistaken the identity of the individual involved. An individual may prepay these fees.

The MVA may enter into a contract with a private entity to collect these fees; however, this contract is subject to rules governing procurement of contracts. These fees are not considered miscellaneous fees. The MVA may retain sufficient funding to recover its costs. Alternatively, a private contractor is permitted to retain a portion of the fee revenue to cover its costs.

The MVA will first recover its costs. The remaining revenue will be distributed as follows: 20% to FRF, 5% to the Amoss Fund, 5% to VCAF, and the remainder to the TTF. The TTF is to distribute its fee revenues as follows: 20% for rural transit, and the remainder to be equitably distributed between the Baltimore and Washington metropolitan transit areas.

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. The MVA is required to assess 12 points against the license of 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, and the license is subject to revocation.

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 MAIF 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.

VCAF 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 2005. The fiscal 2006 appropriation and fiscal 2007 appropriation for the Amoss Fund is \$10 million each year, as are projected awards from the fund through 2011. The appropriation for VCAF was \$1,403,744 in fiscal 2006; and \$1,525,000 is included in the budget for fiscal 2007. The budget also projects \$1.4 million annually for 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 67 authorized positions for fiscal 2006, and an appropriation of \$29.5 million for fiscal 2006, of which \$24.6 million is intended for grants, subsidies, and contributions. The fiscal 2007 budget for MEMA includes \$32.8 million for grants; however, the majority of these grants are federal funded.

State Revenues: In fiscal 2007, approximately \$2.5 million in special fund revenue would be generated. This estimate takes into account the bill's October 1, 2006 effective date and is based on the following facts and assumptions:

- the number of individuals with accumulated points above five points annually for most offenses (other than alcohol-related and controlled dangerous substance convictions) remains steady at fiscal 2005 levels (a total of 20,805 points);
- the number of alcohol-related and controlled dangerous substance convictions annually remains constant at fiscal 2005 levels (5,510 violations, which includes out-of-state violations);
- one-half of all individuals who are subject to points fees pay all three years of fees at once (10,402 points);
- one-half of all individuals who are convicted of an alcohol-related or controlled dangerous substance violation pay all three years of fees at once (2,755);
- fees under this schedule are collected consistent with the MVA debt collection rate of 77%;
- the fees for points and for alcohol-related and controlled dangerous substance convictions will be in place for three-quarters of fiscal 2007; and
- due to the prospective application of the bill, only one-half of the annual number of individuals will accumulate six or more points in fiscal 2007.

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 for expenses.

Future year revenues would increase by \$4.8 million in fiscal 2008 and by \$6.2 million in fiscal 2010 and annually thereafter. 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 Revenue
Fiscal 2007 – 2011

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
<u>Special Funds:</u>					
FRF	\$476,623	\$923,303	\$1,128,923	\$1,208,918	\$1,206,893
Amoss Fund	119,156	230,826	282,231	302,229	301,723
VCAF	119,156	230,826	282,231	302,229	301,723
<u>TTF Distribution:</u>					
MVA	126,789	158,412	167,174	176,588	186,710
Rural Counties	333,636	646,312	790,246	846,242	844,825
Baltimore Transit	667,272	1,292,624	1,580,492	1,692,485	1,689,651
Washington Transit	<u>667,272</u>	<u>1,292,624</u>	<u>1,580,492</u>	<u>1,692,485</u>	<u>1,689,651</u>
Total	\$2,509,902	\$4,774,926	\$5,811,789	\$6,221,177	\$6,221,177

Notes: Up to \$100,000 of funds distributed to the First Responders Fund may be used by MEMA each year for administrative expenses. Numbers may not sum to total due to rounding. For purposes of revenue distribution, it is assumed that the Baltimore and Washington Metropolitan Areas each receive an identical amount of funding under the bill.

State Expenditures:

Board of Public Works

BPW distributes funds for VCAF to the Maryland State Firemen’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. It is assumed that BPW would not award all additional revenue as VCAF grants, but would start to build a fund balance; as such, BPW expenditures could increase by \$100,000 in fiscal 2007, \$200,000 in fiscal 2008, and \$300,000 in fiscal 2011.

Judiciary – District Court

All alcohol-related and controlled dangerous substances offenses are violations for which the defendant must appear in person in court. Accordingly, notice could be provided then and would require no additional resources.

Maryland Emergency Management Agency

MEMA awards could increase by \$519,156 in fiscal 2007, \$1.0 million in fiscal 2008, and \$1.3 million in fiscal 2011 due to increased grants through the Amoss Fund and FRF. This estimate assumes that MEMA begins to build a fund balance in FRF but expends all new monies in the Amoss Fund since it is distributed based on county population.

It is assumed that a significant portion of FRF grants would be capital grants. First responder capital equipment can be extremely expensive, costing several hundreds of thousand dollars. Larger grants would limit the number of grants given annually. Based on a limited number of grants, MEMA would require two employees (one administrator and one part-time fiscal account technician) to administer FRF grants. MEMA would bear no additional responsibilities for administering increased funds for the Amoss Fund.

Accordingly, MEMA expenditures for administration could increase by an estimated \$74,945 in fiscal 2007, which accounts for the bill's October 1, 2006 effective date. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$60,843
Start-up Costs	10,270
Operating Expenses	<u>3,832</u>
Total FY 2007 MEMA Expenditures	\$74,945

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 from FRF to cover administrative costs for administering the fund. This funding would be sufficient to cover administrative expenses until fiscal 2011. In fiscal 2011, \$4,580 in administrative expenses would be covered by the general fund.

Motor Vehicle Administration Personnel

It is estimated that the number of individuals who would have to be contacted annually for points fees is 14,700 individuals. Based on the current size of the MVA Insurance Compliance Division, which processed 361,078 transactions in fiscal 2005, the MVA would require three additional employees (two customer service agents and one additional customer service supervisor). Accordingly, TTF expenditures could increase by \$126,789 in fiscal 2007, which accounts for the October 1, 2006 effective date.

Although fewer individuals would be contacted in the first year, it is assumed that implementation would require additional staff time.

Salaries and Fringe Benefits	\$102,310
Start-up Costs	15,405
Operating Expenses	<u>9,074</u>
Total FY 2007 MVA Expenditures	\$126,789

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 for points collection. 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.

Collection of penalty revenue could be handled with existing resources.

MVA Computer Expenditures

The MVA advises that computer reprogramming costs associated with this bill would be approximately \$6,000,000 for changes to track points. 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. In addition, Legislative Services advises that this is approximately 10 times the estimate the MVA provided for a similar bill in 2005.

Any increase in MVA expenditures would be covered by fee revenue.

Total Administrative Expenditures

In sum, State administrative expenditures could increase by \$201,734 in fiscal 2007, \$246,890 in fiscal 2008, and \$291,290 in fiscal 2011. **Exhibit 2** shows the amount of administrative expenses by agency for fiscal 2007 through 2011. 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 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
MEMA	\$74,945	\$88,478	\$93,482	\$98,840	\$104,580
MVA	\$126,789	\$158,412	\$167,174	\$176,588	\$186,710
Total	\$201,734	\$246,890	\$260,656	\$275,428	\$291,290

Local Fiscal Effect: If MEMA were to start to build a fund balance for FRF, local government revenues from FRF grants could increase by \$400,000 in fiscal 2007, \$800,000 in fiscal 2008, and \$1.0 million in fiscal 2011. Local government expenditures would increase to match FRF 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 could increase by \$119,156 in fiscal 2007, \$230,826 in fiscal 2008, and \$301,723 in fiscal 2011. Local government expenditures would increase by the same amount to match Amoss Fund grants.

Additional Information

Prior Introductions: Similar bills, SB 275 and HB 383, were introduced during the 2005 session. SB 275 passed the Senate, and was referred to the House Environmental Matters Committee, but no action was taken. HB 383 was heard by the House Environmental Matters Committee, but no action was taken.

Cross File: HB 1312 has been designated a cross file but is not identical.

Information Source(s): Department of State Police, Maryland Institute for Emergency Medical Services Systems, Maryland Emergency Management Agency, Maryland Department of Transportation, Judiciary (Administrative Office of the Courts), Department of Legislative Services

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