

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE

House Bill 1348 (Delegate Stein, *et al.*)
 Environmental Matters

Vehicle Laws - Carrying and Displaying Proof of Required Security -
 Requirements

This bill requires an individual who is operating a vehicle to carry satisfactory proof of required security and display such security on demand from a police officer. A person issued a citation for a violation under the bill, or the vehicle’s owner, must submit evidence within 30 days of the citation to the Motor Vehicle Administration (MVA) of the required security. If evidence of the required security is not submitted within this period, it is to be considered lapsed, resulting in a suspension of the vehicle’s registration and the application of existing penalties.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures may increase by \$281,600 in FY 2011, accounting for the bill’s effective date, for additional MVA personnel and for reprogramming of MVA data systems. General and special fund revenues also increase by a significant but indeterminate amount as a result of police enforcement of the Maryland Vehicle Law’s requirement to maintain adequate security and the prohibition against driving with lapsed security. Enforcement of the bill can be handled with existing resources.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	-	-	-	-	-
SF Revenue	-	-	-	-	-
NonBud Rev.	-	-	-	-	-
SF Expenditure	\$281,600	\$123,100	\$128,100	\$133,400	\$139,000
Net Effect	(\$281,600)	(\$123,100)	(\$128,100)	(\$133,400)	(\$139,000)

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

Maryland Automobile Insurance Fund (MAIF) Effect: Assuming that enforcement of the requirement to maintain adequate security results in an increase in lapsed security penalties, MAIF revenues increase due to the specified allocation of penalty revenue in current law, as well as from additional drivers applying to MAIF for policy coverage.

Local Effect: Enforcement can be handled with existing resources.

Small Business Effect: Potential meaningful benefit for small business automobile insurance providers to the extent that greater enforcement of the requirement to carry adequate security results in additional customers.

Analysis

Bill Summary: There are two acceptable forms of proof of required security. The first is a document issued by an insurer authorized to write vehicle liability insurance that lists the name of the insurer and insured, the policy number, the vehicles covered, and the period of coverage. The second form of proof may be a document evidencing a form of security acceptable to MVA.

Operators of vehicles rented for less than 180 days may show proof of required security by carrying a valid rental agreement in the vehicle.

Current Law: MVA is prohibited from issuing or transferring a vehicle registration unless the owner or the prospective owner produces satisfactory evidence of required security. The owner of a motor vehicle that is required to be registered in this State has to maintain the required security for the vehicle during the registration period, and may not drive or permit another to drive a vehicle without required security. Required security may consist of either a vehicle liability insurance policy written by an insurer authorized to write policies in the State, or another form of security that MVA deems adequate.

A person receiving a warning letter from MVA based on an accumulation of at least three points under the Maryland Vehicle Law is required to submit evidence of continuing coverage of required security within 30 days of receipt.

If the required security for a vehicle lapses, MVA may assess the owner of the vehicle a penalty of \$150 for each vehicle without the required security for the first 30 days. Beginning on the thirty-first day, the fine increases by a rate of \$7 for each day, but the total fine may not exceed \$2,500 annually, not including the additional misdemeanor penalty of up to \$500, which may be prepaid with a fine of \$280. Operating a vehicle

without adequate security is a misdemeanor penalty of \$500, which may not be prepaid, and results in the imposition of five points on the driver's record.

Background: The District of Columbia passed a similar law recently designed to deter uninsured drivers. When a DC police officer stops a motorist, the officer is allowed to demand current proof of insurance and levy a fine of \$30 on vehicle operators without such proof.

In Maryland, a police officer may charge a person with a violation of the Maryland Vehicle Law, if the officer has probable cause to believe that the person has committed or is committing a violation. The officer must then issue a traffic citation, which must contain a driver's license number and the vehicle's registration number. Several other provisions of the Maryland Vehicle Law, as well as State criminal laws authorize or require a driver's license and vehicle registration to be displayed to a law enforcement officer. There is no such current requirement to display proof of a vehicle's required security during a traffic stop.

State Expenditures: TTF expenditures may increase by \$281,605 in fiscal 2011, which accounts for the bill's October 1, 2010 effective date. This estimate reflects the cost of significant computer reprogramming work, which has been estimated by an outside computer vendor to require about 21 weeks of additional work in fiscal 2011 as well as ongoing maintenance beginning in fiscal 2012. The estimate also reflects the cost of hiring two additional customer agents within MVA's Insurance Compliance Division to process and monitor the proof of insurance submissions that may be sent to MVA within 30 days of a police stop under the bill. Legislative Services advises that the personnel costs reflect a conservative estimate of the number of additional personnel that may be required to implement the bill. Actual personnel costs may be significantly higher to the extent that MVA needs to hire more than two additional customer agents to process the volume of additional work due to the bill.

	<u>FY 2011</u>	<u>FY 2012</u>
New Positions	2	
Contractual Programming Cost	\$200,000	\$24,000
MVA Salaries and Fringe Benefits	72,170	98,087
MVA Start-up Costs and Operating Expenses	<u>9,435</u>	<u>1,030</u>
Total MVA Expenditures	\$281,605	\$123,117

Future year expenditures reflect full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

State Revenues: Fines collected under the escalating penalty structure for lapsed security are directed under a specified allocation to the general fund, the Department of State Police's Vehicle Theft Prevention Fund, the School Bus Safety Enforcement Fund, and to MAIF. In addition, general fund revenues increase due to the collection of additional misdemeanor penalties collected by the District Court. Legislative Services advises that while a reliable estimate of the general and special fund fine revenue generated under the bill cannot be made at this time, it may be of a similar magnitude as the increase in TTF expenditures required for MVA to implement the bill.

Additional Information

Prior Introductions: A bill with similar provisions, HB 1294 of 2008, received a hearing in the House Environmental Matters Committee but was subsequently withdrawn.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Judiciary (Administrative Office of the Courts), Maryland Automobile Insurance Fund, Department of State Police, Department of Legislative Services

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