

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 204

(Chair, Economic Matters Committee)(By Request -
Departmental - Transportation)

Economic Matters

Finance

Vehicle Laws - Commercial Motor Vehicles Engaged in Intrastate Commerce -
Minimum Security Requirements

This departmental bill extends federal minimum financial responsibility requirements to for-hire vehicles of more than 26,000 pounds that are designed to carry property and that are engaged in *intrastate* commerce.

The bill takes effect January 1, 2012.

Fiscal Summary

State Effect: General fund revenues increase minimally from the collection of additional insurance premium taxes due to the increase in financial responsibility for some intrastate commercial vehicles. Expenditures are not affected as the bill can be implemented by the State Highway Administration (SHA) and enforced by the Department of State Police (DSP) with existing budgeted resources.

Local Effect: The bill is not anticipated to materially affect local government finances.

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

Analysis

Current Law: For-hire vehicles engaged in *interstate* commerce, which have a gross vehicle weight rating of 10,000 pounds and are designed to carry property or transport passengers, as well as hazardous materials (hazmat) transportation vehicles, must

maintain required security consistent with federal minimum financial responsibility regulations.

Background: HB 1151 (Chapter 458) of 2010, as introduced, required these interstate for-hire and hazmat commercial vehicles to maintain minimum financial security consistent with the federal standards. However, HB 1151 was amended to exempt intrastate for-hire vehicles from the federal standards. SHA notes that raising the minimum required security for intrastate for-hire commercial vehicles over 26,000 pounds to be consistent with federal financial responsibility requirements in the Federal Motor Carrier Safety Regulation will be more equitable to interstate commercial vehicle owners. In addition, those suffering injuries or loss of property in an accident involving intrastate commercial vehicles will be better protected under the federal standards, which require insurance levels of \$750,000 for nonhazmat vehicles, \$1 million for nonplacarded hazmat vehicles, and \$5 million for placarded hazmat vehicles. Finally, SHA notes that the burden of increased minimum security requirements will not affect smaller for-hire vehicles such as tow-trucks and other commercial vehicles of 26,000 pounds or less.

State Revenues: Legislative Services advises that it is unable to provide a reliable estimate regarding the bill's impact on general fund revenues at this time due to limited information as to the number of vehicles that may be affected by the bill or the extent of the increase in insurance premiums paid.

Small Business Effect: SHA advises that only a small share of commercial vehicles will be affected by the bill. It is assumed, however, that many of these vehicles will be owned by small businesses. According to SHA, many commercial vehicles already meet the bill's requirements due to the inability to obtain less in financial responsibility from insurance providers. For those vehicles that may need to increase the value of insurance or other financial responsibility contracts under the bill, the extent of such increase is likely to be several hundred dollars per year, on average. Consequently, small business insurers and providers of financial responsibility for commercial vehicles may realize a minimal increase in sales or profit under the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of State Police, Maryland Department of Transportation, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2011
mc/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Vehicle Laws – Commercial Motor Vehicles Engaged in Intrastate
Commerce – Minimum Security Requirements

BILL NUMBER: HB 204

PREPARED BY: Maryland Department of Transportation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

From an industry perspective, there will be some increased, incremental costs due to the need for higher limits in insurance coverage. Specific costs cannot be determined at this point.