Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 910 (Senator Middleton, *et al.*)
Finance Economic Matters

Motor Vehicle Insurance - Entry-Level Commercial Truck Driver's License Holders - Study

This bill requires the Department of Labor, Licensing, and Regulation (DLLR) to conduct a study of the availability, accessibility, and affordability of commercial motor vehicle insurance for motor carriers who want to employ entry-level commercial driver's license (CDL) drivers. DLLR is to make recommendations on how to make such insurance more available, accessible, and affordable.

By December 1, 2015, DLLR must report its findings and recommendations to the Senate Finance and House Economic Matters committees. If DLLR has not completed the study by that date, it must instead report its interim findings and recommendations by December 1, 2015, and report its final findings and recommendations by December 1, 2016.

The bill takes effect June 1, 2015.

Fiscal Summary

State Effect: No effect in FY 2015. General fund expenditures by DLLR increase by $58,900 in FY 2016 and $57,000 in FY 2017 to hire a full-time contractual program manager to coordinate and manage the bill's required study from July 1, 2015, until June 30, 2017. The other State entities that are required by the bill to coordinate with DLLR can handle those requirements with existing resources. Revenues are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	$0	$0	$0	$0	$0
GF Expenditure	58,900	57,000	0	0	0
Net Effect	($58,900)	($57,000)	$0	$0	$0

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

Local Effect: The bill does not directly affect local governmental finances or operations.

Small Business Effect: Minimal.

Analysis

Bill Summary: In conducting the study, DLLR may consult with (1) various State agencies related to insurance and transportation; (2) institutions of higher education, entities related to higher education, and training schools; (3) the motor carrier industry; and (4) the motor vehicle insurance industry and producers. Furthermore, in conducting the study, DLLR must examine specified issues related to the availability of commercial motor vehicle insurance, the accessibility of commercial motor vehicle insurance, and the affordability of commercial motor vehicle insurance.

Current Law: The Maryland Vehicle Law generally prohibits the issuance of a CDL until the individual has passed the knowledge and skill tests for driving a commercial motor vehicle that comply with the federal Commercial Motor Vehicle Safety Act of 1986.

The Federal Motor Carrier Safety Administration (FMCSA) was established within the federal Department of Transportation in January 2000. Formerly part of the Federal Highway Administration, FMCSA's primary mission is to prevent commercial motor vehicle-related fatalities and injuries. Its activities include enforcement of federal safety regulations, targeting high-risk carriers and commercial motor vehicle drivers, improving safety information systems and commercial motor vehicle technologies, strengthening commercial motor vehicle equipment and operating standards, and increasing safety awareness. To accomplish these activities, FMCSA works with federal, State, and local enforcement agencies; the motor carrier industry; labor and safety interest groups; and others.

FMCSA sets the minimum insurance securities required for motor carriers. The minimum security required for a vehicle that transports freight ranges from $300,000 to $5.0 million, depending on the commodities being transported and weight of the vehicle. The minimum security required for a vehicle that transports passengers is $1.5 million to $5.0 million, depending on the seating capacity of the vehicle. In April 2014, FMCSA reported to the U.S. Congress that current financial responsibility minimums for the commercial motor vehicle industry are inadequate to meet the costs of some crashes. FMCSA's study and analysis found that, while catastrophic motor carrier crashes are rare, the costs for resulting severe and critical injuries can exceed $1.0 million. Current required insurance limits may not adequately cover these costs, which are primarily due to increases in medical expenses and other crash-related costs. FMCSA has formed a rulemaking team to further evaluate the appropriate level of financial responsibility for the motor carrier industry.

The Maryland Automobile Insurance Fund (MAIF) is authorized to issue policies of commercial automobile liability insurance with coverages in addition to and in excess of the State's minimum coverages. MAIF is not required to provide such coverages except to the extent that reinsurance for the coverage is available and acceptable to MAIF.

Background: The State's Employer Advancement Right Now (EARN) program is a State-funded, competitive workforce development grant program that is industry-led and helps businesses cultivate a skilled workforce. EARN aims to (1) address the demands of businesses by focusing on the workforce needs of a specific industry sector over a sustained period of time; (2) address the needs of workers by creating formal career paths, reducing barriers to employment, and sustaining or growing middle class jobs; and (3) encourage mobility for the State's hard-to-serve jobseekers through job readiness training that may include GED preparation, occupational skills development, literacy advancement, and transportation and child care components.

In addition to truck driver training schools, many community colleges provide programs for drivers to earn a CDL. Recently, Cecil College was an EARN grant recipient, allowing the college to reduce a percentage of its tuition, course fees, and other costs related to training for all students in its CDL-A training program.

State Expenditures: DLLR does not have the expertise or experience necessary to gather and analyze all of the information specified by the bill for the required study and requires additional staff to coordinate with agencies and industry. Thus, DLLR general fund expenditures increase by $58,926 in fiscal 2016, which accounts for a 30-day start-up delay from the bill's June 1, 2015 effective date, and $57,025 in fiscal 2017 to hire one temporary full-time contractual program manager. This estimate assumes that DLLR will not complete the study by December 1, 2015, due to the scope and complexity of the issues involved and DLLR's lack of expertise in insurance-related matters. Therefore, the contractor concludes his or her employment on June 30, 2017. Although the study is due to the Senate Finance and House Economic committees by December 1, 2016, this estimate assumes the program manager must be available to answer any committee questions and concerns during the 2017 legislative session.

	FY 2016	FY 2017
Contractual Position	1	
Salary and Fringe Benefits	$54,050	$56,428
Operating Expenses	4,876	597
Total Expenditures	**$58,926**	**$57,025**

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

The bill also may result in several additional DLLR staff being redirected from other priorities due to the extensive amount of information needed to perform the study.

Additional Information

Prior Introductions: None.

Cross File: HB 1253 (Delegate Jameson, *et al.*) - Rules and Executive Nominations.

Information Source(s): Department of Labor, Licensing, and Regulation; Maryland Insurance Administration; Maryland Department of Transportation; Maryland Automobile Insurance Fund; Maryland Higher Education Commission; Department of Business and Economic Development; Federal Motor Carrier Safety Administration; Department of Legislative Services

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