

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1001 (Delegate Bridges)
 Economic Matters

Baltimore City - Workforce Development Automobile Insurance Subsidy Program

This bill establishes the Baltimore City Workforce Development Automobile Insurance Subsidy Program in the Maryland Department of Labor’s (MDL) Division of Workforce Development and Adult Learning (DWDAL) to provide \$150 per month subsidies for private passenger automobile insurance to specified graduates. DWDAL may arrange for subsidy payments to be remitted directly to insurers. For fiscal 2025 and each fiscal year thereafter, the Governor must include an appropriation of \$5.0 million in the annual budget bill for the program. MDL must set application procedures, prioritization criteria, procedures for distributing subsidies, and any other procedures or criteria necessary to carry out the bill. By December 1, 2025, and annually thereafter, MDL must submit a report with specified program information to the Governor and General Assembly. **The bill terminates September 30, 2029.**

Fiscal Summary

State Effect: General fund expenditures increase by \$165,300 in FY 2024 to establish the program and \$5.0 million in FY 2025 through 2029 to distribute subsidies in accordance with the bill’s mandated appropriation. It is assumed that, beginning in FY 2025, the mandated appropriation covers administrative costs for the program. Revenues are not affected. **This bill establishes a mandated appropriation for FY 2025 through 2029.**

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	165,300	5,000,000	5,000,000	5,000,000	5,000,000
Net Effect	(\$165,300)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)

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

Maryland Automobile Insurance Fund Effect: The Maryland Automobile Insurance Fund (MAIF) can likely coordinate with DWDAL as necessary using existing resources. Nonbudgeted revenues are not materially affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: To be eligible for the program, an individual must (1) reside in Baltimore City; (2) have graduated from a vocational training program that is located in Baltimore City and meets other criteria; (3) have a valid State driver's license at the time of application; (4) be at least 19 years old at the time of application; and (5) carry or seek to carry private passenger automobile insurance from an insurer licensed to issue motor vehicle insurance in the State. Eligible graduates must apply for the program in each fiscal year they wish to participate.

The annual report must include information on the number of individuals who applied for subsidies under the program, the number of subsidies awarded, the funds remaining, and the training programs attended by applicants.

Current Law:

Division of Workforce Development and Adult Learning

DWDAL has as its mission ensuring businesses have the skilled workforce they need to be competitive in today's environment, as well as helping people get jobs. Specifically, DWDAL serves the unemployed, jobless veterans, newly dislocated workers, trade-impacted workers, New Americans, ex-offenders, low-wage workers, and individuals with barriers to employment. As the State's main workforce development entity, DWDAL oversees operation of Maryland's 32 American Job Centers, with at least 1 such center located in each county of the State. DWDAL also oversees the Maryland Workforce Exchange, which is Maryland's job bank. Additionally, DWDAL oversees workforce programs for New Americans and veterans and the processing of a number of federal and State tax credits.

Automobile Insurance

Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period; there are

approximately 5.1 million registered and insured vehicles in the State. The security required must provide for at least the payment of claims:

- for bodily injury or death arising from an accident of up to \$30,000 for any one person and up to \$60,000 for any two or more persons;
- for property of others damaged or destroyed in an accident of up to \$15,000;
- unless waived or exempt by Chapters 425 and 426 of 2016, for personal injury protection of \$2,500 per person; and
- for uninsured motorist coverage or enhanced underinsured motorist coverage under Chapters 20 and 815 of 2017 (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

Maryland Automobile Insurance Fund

Created by the General Assembly in 1972, MAIF is an independent nonbudgeted State agency. Through its Insured Division, MAIF provides automobile liability insurance to residents of the State who are unable to obtain policies in the private insurance market. MAIF is not in direct competition with the private insurance industry. In other states, private insurance companies share in insuring those unable to obtain insurance (known as the residual market) through an assigned risk plan in their respective states. The residual market for personal automobile insurance is the “market of last resort” for drivers who are unable to find coverage in the voluntary market. Maryland is the only state that has a State plan.

State Expenditures: MDL general fund expenditures increase by \$5.0 million beginning in fiscal 2025 (through fiscal 2029) as a result of the bill’s mandated appropriation. The bill does not prohibit the mandated appropriation from being used for administrative expenses related to the bill, so this analysis assumes that all administrative expenses incurred by DWDAL from fiscal 2025 through 2029 are covered by the mandated appropriation. Any funding remaining after deductions for administrative costs is then available for monthly premium subsidy payments.

However, the program must be established before mandated funding begins. Accordingly, administrative costs incurred in fiscal 2024 are also covered with general fund expenditures.

MDL advises that the administrative burden of processing millions of dollars in monthly direct payments to eligible graduates is significant. MDL, therefore, advises that the agency requires 10 new contractual positions to effectively administer the program by (1) setting eligibility requirements; (2) arranging for subsidy payments to be remitted to either the

participant directly or an insurance provider; (3) establishing application procedures and prioritization criteria; and (4) collecting data for and submitting the required annual report.

The Department of Legislative Services (DLS) disagrees, in part. As the program operates for almost six years, regular staff, not contractual employees, are appropriate. Moreover, DLS believes that fewer new staff than estimated by MDL may be needed to implement the program. Although funding for the premium subsidy payments does not begin until fiscal 2025, key new staff are needed beginning January 1, 2024, to carry out the administrative tasks described above.

Therefore, general fund expenditures for MDL increase by \$165,336 in fiscal 2024, which accounts for new staff beginning January 1, 2024. This estimate reflects the cost of hiring one program manager, one grants specialist, and one accountant to develop and oversee the full implementation of the program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	<u>FY 2024</u>	<u>FY 2025</u>
New Positions	3.0	-
Salaries and Fringe Benefits	\$143,904	\$280,833
One-time Start-up Costs	19,842	-
Operating Expenses	1,590	3,212
Premium Subsidy Payments	-	<u>4,715,955</u>
Total MDL Program Expenditures	\$165,336	\$5,000,000

Future year program expenditures increase to reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. As noted above, this analysis assumes that, for fiscal 2025 through 2029, the program’s mandated appropriation is used to cover administrative costs and any remaining funds are fully subscribed by providing monthly premium subsidies for program participants each year. In fiscal 2025, administrative costs are estimated to be about \$284,000, leaving \$4.7 million for premium subsidy payments and allowing the program to serve almost 2,620 participants over the full year. As administrative costs escalate each year, less money is available for premium subsidy payments; for example, in fiscal 2028, administrative costs are estimated to be almost \$326,200, allowing fewer than 2,600 participants to be served with the residual monies from the mandated appropriation that year.

DLS advises that, should this staffing complement be insufficient to handle the volume of monthly premium subsidy payments, more staff – such as clerks to assist in processing the payments – may be added through the annual budget process. Alternatively, contractual support may be used as needed to supplement the regular staff. As discussed above, with greater administrative expenses, less money remains available for premium subsidy

payments and even fewer participants are served each successive year. DLS further advises that the estimate above does not account for other potential processing costs.

MAIF Effect: MAIF is not directly affected by the bill; however, some individuals who receive a subsidy from the program may use the subsidy to purchase automobile insurance through MAIF. To the extent individuals who purchase a plan under MAIF receive a subsidy under the program, MAIF may need to coordinate with MDL to receive payments for eligible policyholders. To the extent such coordination is required, MAIF can coordinate with MDL using existing resources. Overall, MAIF revenues and expenditures are unaffected since the bill does not affect MAIF insurance rates or the cost for MAIF to provide insurance. The bill only provides a subsidy to drivers who may in turn use those subsidies to buy MAIF insurance.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Maryland Department of Labor; Maryland Insurance Administration; Maryland Automobile Insurance Fund; Department of Legislative Services

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