

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 21, 2003

TO: Honorable Steve Ogden, Chair, Senate Committee on Infrastructure Development and Security

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB814 by Gutierrez (Relating to motor vehicle financial responsibility; providing penalties.),
As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB814, As Engrossed: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>STATE HIGHWAY FUND</i> 6	Probable Savings/(Cost) from <i>STATE HIGHWAY FUND</i> 6	Change in Number of State Employees from FY 2003
2004	\$17,060,575	(\$2,640,644)	3.0
2005	\$17,367,665	(\$306,612)	3.0
2006	\$17,680,283	(\$306,612)	3.0
2007	\$17,998,528	(\$306,612)	3.0
2008	\$18,322,502	(\$306,612)	3.0

Fiscal Analysis

The bill would amend the Transportation Code to require the Department of Public Safety (DPS) to establish a motor vehicle financial responsibility program; that DPS contract with a designated agent selected by the State Council on Competitive Government; that the contract be paid from the State Highway Fund; and that the designated agent develop, maintain, and administer a computer database to verify proof of financial responsibility for vehicle owners under DPS guidelines and mail verification letters to persons selected in accordance with rules established by DPS. The bill would require the database to be operational no later than July 1, 2004, and would specify the number of notices to be sent each year. The bill would exempt specific vehicles during a season when these vehicles were not in use from the provisions of the bill; would require insurance companies to provide

information to the designated agent; and would establish that insurance companies not providing information would be liable to the state for a civil penalty of \$250 each day they are in violation.

The bill would require DPS to review the effectiveness of the program after January 1, 2009 and before January 1, 2010; allow DPS to coordinate the review with the Texas Department of Insurance (TDI); require DPS to report its findings to the Lieutenant Governor and the Speaker of the House of Representatives before September 1, 2010; and establish that the review requirements would expire on September 2, 2010. The bill would establish that DPS would prescribe a standard proof of motor vehicle liability insurance form; provide for the production of the form; and that DPS may contract with another person for the production of the form. The bill would require DPS and Texas Department of Transportation (TxDOT) to adopt all rules, methods, and forms necessary to implement the provisions of the bill. The bill would require the Governor to appoint a committee to investigate factors that determine motor vehicle liability insurance rates in the state. The bill would establish guidelines and directions for the committee and would require that a report of the findings be submitted to the Governor, Lieutenant Governor, the Speaker of the House of Representatives, TDI, DPS, and the TxDOT. The bill would implement recommendation GG 24 from the Comptroller's e-Texas report, *Limited Government, Unlimited Opportunity*.

The bill would require TxDOT to provide specific information to either DPS or its designated agent regarding vehicle owners and registrations except for specific vehicles with temporary registrations. The bill would establish disclosure and confidentiality requirements regarding the information provided and would establish that disclosing information in violation of those guidelines would be a class A misdemeanor. The bill would require that an additional \$1 fee be added to normal registration fees; that revenues collected from the new fee be deposited to the credit of the State Highway Fund; and that TxDOT reimburse DPS from the revenues collected for the cost of implementing the provisions of the bill.

The bill would take effect September 1, 2003.

Methodology

It is assumed that an additional \$1 fee at the time of initial application or renewal of registration for vehicles that are required to present proof of financial responsibility would be collected and deposited to the credit of the State Highway Fund each year beginning in fiscal year 2004. Based on current registration data provided by TxDOT, it is estimated that there will be 19,387,017 vehicle registrations, including those that are not required to present proof of financial responsibility upon registration, during the first year and that this population would increase each year by 1.8 percent during each subsequent year. TxDOT estimates that approximately 88 percent (17,367,665) of the total vehicle registration population would present proof of financial responsibility at the time of registration and pay the new \$1 fee; that approximately \$17.4 million would be realized in the first year; and that this amount would also increase by 1.8 percent each year.

TxDOT estimates costs of \$260,135 during the first year and \$67,020 during each subsequent year for programming modification and record maintenance. DPS estimates costs of approximately \$2.4 million in fiscal year 2004 for 3 Full Time Equivalent positions and to establish the new database for the motor vehicle insurance verification program. Costs to maintain the system and continue the positions are estimated at \$239,592 per year for fiscal years 2005-08.

Based on an analysis of TDI, DPS, the Comptroller of Public Accounts, and TxDOT, it is assumed that duties and responsibilities of the Governor and TDI associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

This analysis assumes that all insurance companies would provide the necessary information in a timely manner as required by the bill without having to pay a \$250 penalty fee. Also, this analysis does not include possible secondary impacts regarding the premium tax imposed on insurance companies. If premium tax collections would increase, it is assumed that revenue increases would also be realized in the General Revenue Fund and the Foundation School Fund in accordance with allocations required in current law. Similarly, if collections would not increase, there would be no impact.

Technology

TxDOT estimates costs of \$260,135 during the first year and \$67,020 during each subsequent year for programming modification and record maintenance. DPS estimates costs of \$2.0 million in fiscal year 2004 to establish the new database for the motor vehicle insurance verification program.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety, 454 Department of Insurance, 601 Department of Transportation

LBB Staff: JK, RR, JO, JRO, RT, MW