

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 18, 2003**

**TO:** Honorable John T. Smithee, Chair, House Committee on Insurance

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB814** by Gutierrez (relating to motor vehicle financial responsibility; providing penalties. ),  
**Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB814, Committee Report 1st House, Substituted: a positive impact of \$27,900,000 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	\$1,500,000
2005	\$26,400,000
2006	\$25,200,000
2007	\$21,600,000
2008	\$21,600,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Revenue Gain/(Loss) from <i>STATE HIGHWAY</i> <i>FUND</i> <b>6</b>	Probable Savings/ (Cost) from <i>STATE HIGHWAY</i> <i>FUND</i> <b>6</b>	Probable Revenue Gain/(Loss) from <i>Counties</i>
2004	\$1,500,000	\$17,460,575	(\$2,896,789)	\$200,000
2005	\$26,400,000	\$24,207,665	(\$380,532)	\$3,420,000
2006	\$25,200,000	\$20,680,283	(\$377,172)	\$1,500,000
2007	\$21,600,000	\$16,678,528	(\$367,092)	(\$660,000)
2008	\$21,600,000	\$14,122,502	(\$367,092)	(\$2,100,000)

Fiscal Year	Change in Number of State Employees from FY 2003
2004	3.0
2005	3.0
2006	3.0
2007	3.0
2008	3.0

**Fiscal Analysis**

The bill would amend the Transportation Code to require that the Department of Public Safety (DPS)

establish a motor vehicle financial responsibility program; that DPS contract with a designated agent selected by the 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 provide that a selected vehicle owner who does not provide proof of financial responsibility would be liable to the state for a civil penalty of \$100 and would require the termination of the vehicle registration under specific conditions. 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 civil penalties collected under the bill to be deposited to the credit of the General Revenue fund.

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 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 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 the Texas Department of Transportation (TxDOT) to adopt all rules 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 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 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.

This analysis assumes the number of notices mailed each year from fiscal year 2004 to 2008 would be 50,000; 880,000; 840,000; 720,000 and 720,000 respectively in accordance with the bill. TxDOT assumes that 50 percent of the selected population each year would provide sufficient proof of insurance to prevent suspension, not pay the \$100 penalty, and not pay an additional registration fee. TxDOT estimates that 10 percent of the entire population would respond to a second notice/warning letter within 15 days and provide proof of financial responsibility without having to pay the \$100 fee

or another registration fee; that 10 percent would provide the necessary proof of financial responsibility after the 15 day period and would pay the \$100 penalty, but would not have to pay the additional registration fee; that 20 percent would provide the necessary proof of financial responsibility, pay the \$100 penalty, and pay an additional registration fee; and that the remaining 10 percent would never come into compliance by paying the \$100 penalty fee and the additional registration fee. For the purposes of this analysis, TxDOT used an average registration fee amount of \$60 and assumed that \$40 of this fee would be deposited to the credit of the State Highway Fund and that the remaining \$20 would be credited to counties where the registration occurred. The revenue from the penalties is estimated to be \$1.5 million in fiscal year 2004, \$26.4 million in fiscal year 2005, \$25.2 million in fiscal year 2006, and \$21.6 million in both fiscal years 2007 and 2008, and would be deposited to the General Revenue Fund; and that \$400,000 in fiscal year 2004, approximately \$7.0 million in fiscal year 2005, \$6.7 million in fiscal year 2006, and \$5.8 million in both fiscal years 2007 and 2008 would be deposited to the State Highway Fund. TxDOT assumes that revenue losses would be realized for the 10 percent initially found to be in non-compliance who do not repay the annual registration fee and that those in non-compliance who do not repay the annual registration fee never will. TxDOT estimates that 5,000 would be identified in this category in fiscal year 2004; 88,000 in fiscal year 2005; 84,000 in fiscal year 2006; and 72,000 in both fiscal years 2007 and 2008. It is also assumed that revenue losses from this 10 percent would not be realized during the year of discovery, but during each following year. Accordingly, it is estimated that revenue losses of \$200,000 in fiscal year 2005, approximately \$3.7 million in fiscal year 2006, \$7.0 million in fiscal year 2007, and \$10.0 million in fiscal year 2008 would be realized for the State Highway Fund.

TxDOT estimates programming modification and record maintenance would cost \$516,280 in fiscal year 2004; \$140,940 in fiscal year 2005; \$137,580 in fiscal year 2006; and \$127,500 in both fiscal year 2007 and 2008. 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 programming modification and record maintenance costs of \$516,280 in fiscal year 2004; \$140,940 in fiscal year 2005; \$137,580 in fiscal year 2006; and \$127,500 in both fiscal year 2007 and 2008. DPS estimates costs of \$2.0 million in fiscal year 2004 to establish the new database for the motor vehicle insurance verification program and \$300,000 during each subsequent year for system maintenance.

## **Local Government Impact**

Estimated impacts to counties and units of local government are reflected in the table above. Based on the analysis and assumptions described above, TxDOT estimates net revenue gains of \$200,000 in fiscal year 2004; approximately \$3.4 million in fiscal year 2005; and \$1.5 million in fiscal year 2006, would be realized across all counties. It is also estimated that net revenue losses of \$660,000 in fiscal year 2007, and \$2.1 million in fiscal year 2008 would be realized across all counties.

**Source Agencies:** 304 Comptroller of Public Accounts, 405 Department of Public Safety, 601 Department

**LBB Staff:** of Transportation  
JK, JO, JRO, RT, MW