LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 4, 2003

TO: Honorable Dennis Bonnen, Chair, House Committee on Environmental Regulation

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB1374** by Madden (Relating to safety and emissions inspections of motor vehicles.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1374, As Introduced: a negative impact of ($6,255,280) through the biennium ending August 31, 2005, if the effective date of the bill is June 1, 2003; or a negative impact of ($6,374,530) through the biennium ending August 31, 2005, if the effective date of the bill is September 1, 2003.

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

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Savings/ (Cost) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain from *CLEAN AIR ACCOUNT* 151	Probable (Cost) from *CLEAN AIR ACCOUNT* 151
2003	$115,750	($890,625)	$109,500	$0
2004	$463,000	($4,024,515)	$438,500	($463,000)
2005	$1,215,000	($3,133,890)	$580,000	($580,000)
2006	$1,215,000	($2,243,265)	$580,000	($580,000)
2007	$1,215,000	($2,243,265)	$580,000	$0
2008	$404,595	($747,555)	$193,140	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *TEXAS EMISSIONS REDUCTION PLAN* 5071	Probable Savings/ (Cost) from *TEXAS EMISSIONS REDUCTION PLAN* 5071	Probable Revenue Gain/(Loss) from *TEXAS MOBILITY FUND* 365	Probable Savings/ (Cost) from *TEXAS MOBILITY FUND* 365
2003	$34,493,000	($34,493,000)	$0	$0
2004	$130,000,000	($130,000,000)	$7,973,000	($7,973,000)
2005	$130,000,000	($130,000,000)	$22,802,000	($973,000)
2006	$130,000,000	($130,000,000)	$22,802,000	($22,802,000)
2007	$130,000,000	($130,000,000)	$22,802,000	($22,802,000)
2008	$50,883,066	($50,883,066)	$0	($22,802,000)

Fiscal Year	Probable Savings from *STATE HIGHWAY FUND* 6	Change in Number of State Employees from FY 2002
2003	$0	(2.0)
2004	$3,300,000	(2.0)
2005	$3,300,000	(2.0)
2006	$3,300,000	(2.0)
2007	$3,300,000	(2.0)
2008	$3,300,000	(8.0)

The first scenario assumes the bill will receive two-thirds vote in both houses and take effect June 1, 2003. For purposes of this estimate, 2003 revenues and costs are based on 25 percent of 2004 revenues. The second scenario assumes an effective date of September 1, 2003.

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Savings/ (Cost) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/(Loss) from *CLEAN AIR ACCOUNT* 151	Probable Savings/ (Cost) from *CLEAN AIR ACCOUNT* 151
2004	$463,000	($4,024,515)	$438,500	($463,000)
2005	$1,211,500	($4,024,515)	$580,000	($580,000)
2006	$1,211,500	($2,243,265)	$580,000	($580,000)
2007	$1,211,500	($2,243,265)	$580,000	$0
2008	$404,595	($747,755)	$193,140	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *TEXAS EMISSIONS REDUCTION PLAN* 5071	Probable Savings/ (Cost) from *TEXAS EMISSIONS REDUCTION PLAN* 5071	Probable Savings from *STATE HIGHWAY FUND* 6	Probable Revenue Gain/(Loss) from *TEXAS MOBILITY FUND* 365
2004	$130,000,000	($130,000,000)	$3,300,000	$7,973,000
2005	$130,000,000	($130,000,000)	$3,300,000	$22,802,000
2006	$130,000,000	($130,000,000)	$3,300,000	$22,802,000
2007	$130,000,000	($130,000,000)	$3,300,000	$22,802,000
2008	$50,883,066	($50,883,066)	$3,300,000	$0

Fiscal Year	Probable Savings/ (Cost) from *TEXAS MOBILITY FUND* 365	Change in Number of State Employees from FY 2003
2004	$0	(2.0)
2005	($7,973,000)	(2.0)
2006	($22,802,000)	(2.0)
2007	($22,802,000)	(2.0)
2008	($22,802,000)	(8.0)

Fiscal Analysis

The following provisions of the bill have significant fiscal implications, all of which expire January 1, 2008:

1) The bill would require counties receiving grant funds from the Low Income Vehicle Repair Assistance Program (LIRAP) to remit to the Comptroller for deposit in the Texas Emissions Reduction Plan (TERP) Account No. 5071 any funds not used for the program in the first 90 days in which the funds were received.

2) The bill would transfer the responsibility for applications for regular certificate of title for salvage motor vehicles from the Department of Public Safety (DPS) officers to civilian inspectors certified by

the DPS.

3) The bill would establish a $17.50 emissions inspection fee for diesel-powered vehicles, which currently are not required to be inspected. The state would receive $3.50 per inspection to the credit of the General Revenue Fund and $2 to the credit of the General Revenue-Dedicated Clean Air Account No. 151.

4) The bill would require the DPS, the Texas Department of Transportation, the Texas Commission on Environmental Quality (TCEQ), and the Comptroller to develop and administer procedures to automate the compulsory vehicle inspection program.

5) The bill would add inspection requirements for diesel-powered and commercial vehicles.
The following fees would be imposed and deposited to the credit of the General Revenue-Dedicated TERP Account No. 5071: a) a $27 fee on new diesel powered vehicles registering in Texas from out-of-state or for the initial two-year period for new vehicles; b) a $200 inspection fee on a salvage motor vehicle; c) a $60 fee on the initial inspection of a vehicle brought into Texas from out-of-state; d) a $60 fee on initial two-year inspections of new vehicles; e) a $60 fee on the initial inspection of commercial motor vehicles; and f) a $32 fee on inspections of vehilces over 6,000 pounds. Military personnel would be exempted from this set of fees. Any revenues received in excess of $130 million in any fiscal year would be deposited to the credit of the Texas Mobility Fund instead of the TERP account.

6) The bill would establish numerous late fees.

The bill would take effect immediately upon enactment if it receives a two-thirds majority vote in both houses of the legislature. Otherwise, it would take effect on September 1, 2003.

Methodology

1) The amount of revenue gained to the TERP Account No. 5071 would depend on Low Income Vehicle Repair Assistance Program (LIRAP) revenues and the amount of grant funds that would not be spent by counties within 90 days. According to the Comptroller, $6.9 million in revenues were received during the first six months of fiscal year 2002. Assuming annual revenues of $13.8 million per fiscal year in future years, and assuming that 5 percent of funds granted to counties would not be spent within 90 days, an estimated $690,000 per year would be returned to the state to the credit of the TERP Account No. 5071.

2) The Comptroller estimates that $3.3 million per year in fiscal years 2004-05 would be collected under current law by the DPS for certificates for regular title for salvage motor vehicles. Upon passage of the bill, $3.3 million in General Revenue would therefore be lost each year. Revenues gained through annual license fees for salvage motor vehicle inspectors ($10 each) and salvage motor vehicle inspection stations ($30 each) would depend on the number of inspectors and stations that would choose to become certified. Assuming 1,000 stations and 5,000 inspectors would choose to become certified, revenues deposited to the General Revenue Fund resulting from these fees are not expected to be significant. DPS would no longer have to inspect salvage vehicles, resulting in a savings to Fund 006 of $3.3 million per year and a reduction of 41 FTEs. This would be partially offset with an expected 12 additional FTEs that would be needed to certify salvage motor vehicle inspectors and stations and conduct enforcement at a cost of $462,015 per year to the General Revenue Fund.

3) Based on data provided by TxDOT indicating that 290,000 vehicles would be subject to the bill's new requirements for emissions inspections on diesel-powered vehicles, the Comptroller estimates additional revenues to the credit of the General Revenue Fund of $846,000 in fiscal year 2004, $1,015,000 in fiscal years 2005-07, and $338,000 in fiscal year 2008; additional revenues to the Clean Air Account No. 151 would be $483,000 in fiscal year 2004, $580,000 in fiscal years 2005-07 and $193,000 in fiscal year 2008.

4) Based on 14 million vehicles registering in the state and $0.25 per vehicles, the Comptroller estimates that the following revenues would be collected by DPS for the development and administration of the automated inspection system and deposited to the General Revenue Fund:

$2,917,000 in fiscal year 2004; $3,500,000 in fiscal years 2005-07; and $1,165,000 in fiscal year 2008. This estimate assumes that these amounts would be appropriated to the four agencies responsible for the automated inspection system. It is estimated that DPS would incur costs associated with the automated inspection system equal to $7.1 million in startup costs (2003 or 2004 to 2005), with recurring maintenance costs of $1.8 million in 2006 and 2007, decreasing to $593,750 by 2008.

5) The Comptroller estimates that the following new revenues would be generated to the TERP fund: a) the $27 fee on new diesel powered vehicles registering in Texas from out-of-state or for the initial two-year period for new vehicles would generate $1.1 million in 2005, increasing to $1.3 million in 2005, then decreasing to $448,000 in 2008 as these fees would expire; b) the $200 inspection fee on salvage motor vehicles is expected to generate $4 million per year in fiscal years 2004-07, decreasing to $1.3 million by 2008; c) the $60 fee on the initial inspection of a vehicle brought into Texas from out-of-state is expected to generate $22 million in 2004, $26.4 million in 2005-07, and $8.8 million in 2008; d) the $60 fee on initial two-year inspections of new vehicles is expected to generate $87.5 million in 2004, $95.5 million in fiscal years 2005-07 and $31.8 million in 2008; e) the $60 fee on the initial inspection of commercial motor vehicles is expected to generate $3.8 million in 2004, $4.1 million in 2005-07 and $1.4 million in 2008; and f) the $32 fee on inspections of vehilces over 6,000 pounds is expected to generate $9.5 million in 2004, $11.5 million in fiscal years 2005-07 and $3.8 million in 2008.

6) The state could expect to receive an additonal $3,150,000 in revenues to the TERP Account No. 5071 from the late fees.

Total Revenues to the TERP Account No. 5071 are estimated to be $138.0 million in 2004, increasing to $152.8 million in 2005-07 and decreasing to $50.9 million in 2008.

Those amounts in excess of $130 million would be transfered to the Texas Mobility Fund. Since funds would not likely be credited to the mobility fund until late in each fiscal year, it is estimated that TxDOT would expend these funds in the year following receipt. Between 2004 and 2007, the Texas Mobility Fund is expected to receive a total $76.4 million.

This estimate assumes that TERP funds generated as a result of the bill's passage would be allocated to the agencies administering TERP programs based on statutory allocations in Health and Safety Code, Section 386.252 and provisions contained in House Bill 1, As Introduced, Section 11.23. The estimate also assumes the following number of FTEs would be added: for the Comptroller, 9 FTEs in 2003 through 2007, with only 3 required in 2008; for the Commission on Environmental Quality, 9 FTEs each year; for the Council on Environmental Technology, 3 FTEs; for the Public Utility Commission, 3 FTEs; and for the Energy Systems Laboratory at the Texas Engineering Experiment Station; 3 FTEs. For the Department of Public Safety, there would be a net reduction of 29 FTEs.

Technology

The TCEQ estimates technology costs of $850,000 in fiscal year 2005 for the modification of the Vehicle Inspections database and $1 million for the enhancement of inspection station systems. This estimate assumes that these costs would be limited to newly generated revenues to the Clean Air Account No. 151. and be spread over the period 2004-06.

Technology costs to the Comptroller and TxDOT are not expected to be significant.

Technology costs to the DPS would include those costs for the automated inspection system. Initial costs are estimated at $7.1 million, with annual maintenance costs of $1.8 million.

Local Government Impact

Section 1 of the bill would require funds not used for Low Income Vehicle Repair Assistance Program (LIRAP) within 90 days of receipt by a county be returned to the state. Dallas County (population 2.2 million, annual budget $369 million) reported that, depending upon the usage of their program, the provisions of the bill would result in a loss of between $500,000 and $1.5 million. Harris County (population 3.5 million, annual budget $970 million) reported that they would have to return between

$750,000 and $1.25 million to the state. However, this estimate assumes that counties would increase efforts to expend program funds, resulting in only 5 percent of funds received being returned to the state after the 90-day period.

Section 15 of the bill would require inspection stations to charge a fee not to exceed the amount prepaid to the Department of Public Safety (DPS) for a diesel-powered motor vehicle inspection certificate. Each inspection station, including a political subdivision or state agency, would also pay $0.25 to be used only for the development and administration of the automated inspection system. Six hundred forty five local governments have certified inspection stations and in 2002 performed about 41,680 of these inspections, a potential additional expense of $10,420 per year. Also, local governments that currently only provide safety inspections will incur the cost of becoming "on-board diagnostic" capable, at a cost of $4,000 per inspection station. Local governments performing their own inspections and that have diesel powered vehicles will have to train their inspectors to perform diesel equipment inspections at an unspecified cost. If they do not certify their inspectors, these local governments would pay an additional $10.50 per vehicle for inspection by private inspection stations.

Section 19 of the bill would allow a court to dismiss a charge of driving with an expired registration sticker if it has not been expired for more than 30 days. Currently, the fine is imposed if the sticker had been expired for more than 60 days. Local governmental entities would see more revenue from increased numbers of fines imposed for the earlier expiration deadline. Assuming that the number of inspected vehicles remains constant (DPS estimate of 14 million), and assuming a conservative estimate of three percent of noncompliant vehicles, there would be an increase in revenue of $420,000 to Texas counties.

Source Agencies: 304 Comptroller Of Public Accounts, 360 State Office Of Administrative Hearings, 369 Council On Environmental Technology, 405 Department Of Public Safety, 582 Commission On Environmental Quality, 601 Department Of Transportation

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