LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 19, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB3588** by Krusee (Relating to the construction, acquisition, financing, maintenance, management, operation, ownership, and control of transportation facilities and the progress, improvement, policing, and safety of transportation in the state.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3588, As Engrossed: a negative impact of ($107,201,041) 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	$15,138,672
2005	($122,339,713)
2006	$19,404,331
2007	($232,334,474)
2008	$13,100,136

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/(Loss) from *STATE HIGHWAY FUND* 6	Probable Savings/(Cost) from *STATE HIGHWAY FUND* 6
2004	$15,688,617	($1,982,945)	$1,005,166,000	($1,103,755,366)
2005	($124,263,099)	($942,614)	$1,005,166,000	($1,212,856,706)
2006	$17,536,354	($998,023)	$0	($222,856,706)
2007	($234,199,646)	($1,000,828)	$0	($232,856,706)
2008	$11,237,354	($1,003,218)	$0	($242,856,706)

Fiscal Year	Probable Revenue Gain/(Loss) from *TEXAS MOBILITY FUND* 365	Probable Revenue Gain/(Loss) from *New General Revenue Dedicated Trauma Facility and Emergency Medical Services Acct*	Probable Savings/(Cost) from *GR MATCH FOR MEDICAID* 758	Probable Savings/(Cost) from *FEDERAL FUNDS* 555
2004	$128,048,746	$100,938,603	$1,433,000	$1,433,000
2005	$287,402,021	$220,363,936	$2,866,000	$2,866,000
2006	$244,197,502	$229,385,665	$2,866,000	$2,866,000
2007	$372,183,502	$353,135,665	$2,866,000	$2,866,000
2008	$250,496,502	$229,385,665	$2,866,000	$2,866,000

Fiscal Year	Change in Number of State Employees from FY 2003
2004	(53.5)
2005	(130.0)
2006	(130.0)
2007	(130.0)
2008	(130.0)

Fiscal Analysis

Article 1 of the bill relates to the establishment, designation, construction, and operation of a system of multi-modal facilities to be designated as the Trans Texas Corridor. Article 2 relates to the powers and duties of a regional mobility authority, including the power of eminent domain and the power to issue bonds. Article 3 relates to the establishment of exclusive development agreements and provides authorization and guidelines regarding the Texas Department of Transportation (TxDOT) entering into such agreements. Article 4 relates to the authorization for the Texas Transportation Commission (TTC) to acquire property for possible use in or in connection with a transportation facility before final determination of the intended facility’s location on that property. Article 5 relates to the creation of the driver responsibility program to fund certain emergency medical services, trauma facilities, and trauma care systems. Article 6 relates to the acquisition, financing, construction, operation, and maintenance of rail facilities by TxDOT and the authorization for the TTC to issue bonds. Article 7 relates to the disposition of certain fees and penalties collected by the Department of Public Safety (DPS) to the credit of the Texas Mobility Fund (TMF) for highway and transportation purposes. Article 8 relates to the issuance of bonds and other public securities secured by the State Highway Fund and the financing and construction of highway improvement projects. Article 9 relates to the use of pass-through tolls for financing certain highway facilities. Article 10 relates to the authorization of the TTC to establish procedures by rule for the informal resolution of a claim arising out of a contract related to the Texas Turnpike Authority. Article 11 relates to the transfer of property under the jurisdiction of TxDOT. Article 12 relates to the conversion of a non-toll state highway to a toll facility. Article 13 relates to the transfer of power and authority over railroads from the Railroad Commission of Texas to TxDOT. Article 14 relates to a Texas-Mexico border trade corridor plan. Article 15 relates to the statewide coordination of public transportation. Article 16 relates to the authority to sell rail lines. Article 17 relates to driver license requirements concerning proof of identity. Article 18 relates to the number of members of the TTC. Article 19 relates to the creation, administration, powers, duties, operations, and financing of a border region high-speed rail authorities. Article 20 relates to the suspension of sentence and the deferral of adjudication in cases involving certain misdemeanor traffic offenses. Article 21 relates to the suspension of a driver’s license. Article 22 relates to the eligibility of a person to operate a commercial motor vehicle in Texas. Article 23 relates to outdoor advertising and highway beautification fees. Article 24 relates to the trauma facility and emergency medical services account under the Health and Safety Code and required court costs; neighborhood electric vehicles; public transportation funding allocations; outdoor advertising relocations; the designation of school crossing zones, crosswalks, and the installation of traffic controls; transportation planning; offenses under the Transportation Code; and adding a code to driver’s licenses to reflect ethnicity.

Articles 1 through 3, 6, and 9 through 11 of the bill would take effect immediately upon receiving a two-thirds majority vote in both houses; otherwise, they would take effect September 1, 2003. Articles 4, 5, 7, 12 through 21, 23, and part of Article 24 of the bill would take effect September 1, 2003. Article 24 of the bill repeals Sec. 456.024 of the Transportation Code. The section in Article 24 relating to formula allocations for public transportation would take effect September 1, 2004; there is no cost to this as it is just the allocation for public transportation funds in statute. Article 22 would take effect June 1, 2005. Article 8 of the bill would take effect on the date on which the constitutional amendment proposed by the 78th Legislature, Regular Session, authorizing the issuance of bonds for improvements to the state highway system would take effect. If that amendment does not receive approval by the voters, Article 8 of the bill would have no effect.

Methodology

Article 1 costs include $10 million during the first fiscal year with costs increasing incrementally by $10 million during each successive year from the State Highway Fund for feasibility studies, environmental studies, right-of-way acquisition, and preliminary engineering efforts during the first five years of implementation. TxDOT indicates estimated costs are conservative because actual Trans Texas Corridor locations and designs are currently undecided. TxDOT estimates the Trans Texas Corridor will require 50 to 75 years to build and anticipates that total costs will exceed $145 billion over that period of time. For the purposes of this analysis, TxDOT identified four priority segments that are currently being considered for use in the Trans Texas Corridor, which include proposed segments of I-35, I-37 and I-69 from Denison to the Rio Grande Valley; I-69 from Texarkana to Houston to Laredo; I-45 from Dallas-Fort Worth to Houston; and I-10 from El Paso to Orange. The analysis for this article does not consider any fiscal implications for the issuance of bonds; loans; grants; revenues generated from allowable fees related to utilities, tolls, and rails; commercial charges; leases; right-of-way acquisition agreements; private sector involvement in projects; or any other authority, duty, or provision of the bill based on the analysis and information provided by TxDOT.

Article 5 includes a DPS estimated revenue gain based on statistics from fiscal years 2000 through 2002, apart from adjustments required with provisions in Article 24 (discussed below). The estimate assumes a compliance rate for the payment of the surcharges of 66 percent and that the article would generate approximately 547,000 new surcharge cases per year for the first three years. Estimated General Revenue gains include approximately $60.5 million in fiscal year 2004; $114.8 million in fiscal year 2005; and $169.2 during each subsequent year. Estimated revenue gains to the General Revenue Dedicated Trauma Facility and Emergency Medical Services account include approximately $59.3 million in fiscal year 2004; $112.6 million in fiscal year 2005; and $165.9 million during each subsequent year. In addition, estimated General Revenue costs include 23 additional FTEs to provide DPS mainframe system reprogramming, evaluate the driver cases, process compliance items, apply appropriate points to the driver history, handle customer service inquiries, and process payments of approximately $1.9 million in fiscal year 2004; $0.9 million in fiscal year 2005; and $1.0 million during each subsequent year.

Article 7 reflects estimated revenues, based on data from the Comptroller's 2004-05 Biennial Revenue Estimate, of approximately $218.5 million in fiscal year 2004; $231.6 million in fiscal year 2005; $232.7 million in fiscal year 2006; $236.9 million in fiscal year 2007; and $238.9 million in fiscal year 2008, which are currently deposited to the credit of the General Revenue Fund that would be deposited to the credit of the Texas Mobility Fund in accordance with the bill. According to the Comptroller of Public Accounts, fees that would be exempt from rededication under the bill would be the $1 optional fee collected in connection with the issuance or renewal of a driver licenses or personal identification card for the Blindness Education, Screening and Treatment Program, and the Anatomical Gift Program. The $5 fee dedicated to the Motorcycle Education Fund upon the issuance of some motorcycle driver licenses would retain its dedication and inspection fees dedicated to the Texas Emissions Reduction Fund would also remain dedicated for the current purpose. Estimated amounts for fiscal year 2004 are reduced by approximately $90.5 million in accordance with the requirements of the bill resulting in an amount of $128.0 million being deposited to the credit of the TMF during the first year.

Article 8 is contingent on the passage and voter approval of SJR 44, or similar legislation, and would require debt service costs estimated on the assumption there would be a bond issuance of $1 billion of project costs each year for the next two years beginning on September 1, 2003, at an interest rate of 1.11 percent; that the total revenues available in the State Highway Fund during each year would exceed $5.9 billion; that debt service for the issuance would be for a 20 year period; that the interest rate would increase to 2.6 percent in FY 2005; that repayments would be financed through the State Highway Fund; and that the amount of the bond issue would be reduced by the estimated interest earned on the balance of bond proceeds each year. It is assumed issuance and underwriting costs would be added to the bond issuance and that State Highway Fund costs would be realized in the amounts of approximately $1.0 billion in fiscal year 2004; $1.2 billion in fiscal year 2005; and approximately $0.2 billion during each subsequent year.

Article 13 includes the transfer of approximately 22 FTEs and $1.2 million each year in General

Revenue to TxDOT from the Rail Road Commission of Texas. These costs are based on information submitted by the Rail Road Commission of Texas and are not reflected in the table above as no significant savings or additional cost is estimated with transferring the program responsibilities.

Article 15 would partially implement recommendation HHS 3, "Consolidate Health and Human Service Agencies to Reduce Cost and Improve Service Delivery" from the Comptroller's e-Texas report, "Limited Government, Unlimited Opportunity". Cost savings estimates are based on the assumption that a contractual arrangement for the Medical Transportation Program, which serves Medicaid clients, would be established no later than March 1, 2004, and that the arrangement would result in a Full-time Equivalents (FTE) reduction totaling 76.5 in fiscal year 2004, and 153.0 in each subsequent fiscal year; that a cost savings of approximately $1.4 million in both federal and General Revenue funds would be realized in fiscal year 2004; and that this amount would increase to approximately $2.8 million in both federal and General Revenue funds during each subsequent year.

Article 24 includes impacts related to an additional court cost of $30 for violations of highway law and directs the Comptroller's Office to deposit $20 of the fee to the credit of the General Revenue Fund and $10 to the credit of the General Revenue Dedicated Trauma Facility and Emergency Medical Services account, apart from adjustments required with provisions in Article 5 (discussed below). It is assumed that 5.2 million traffic violation convictions would be realized each year; that implementation in fiscal year 2004 would result in revenue gains of $83.2 million in General Revenue and $41.6 million in the General Revenue Dedicated Trauma Facility and Emergency Medical Services account; and that this amount would increase to $104 million in General Revenue and $52 million in the General Revenue Dedicated Trauma account during each subsequent year.

Provisions in Articles 5 and 24 would require 49.5 percent of the first $250 million in surcharges and additional court costs collected and remitted by DPS for deposit in the State Treasury each biennium to be deposited to the credit of the General Revenue fund; 49.5 percent to be deposited to General Revenue Dedicated Trauma Facility and Emergency Medical Services account; and the remaining 1 percent to be deposited to the General Revenue fund for use by DPS. Once the surcharge deposits exceeded $250 million in a biennium, the bill would require that 49.5 percent to be deposited to the Texas Mobility Fund; 49.5 percent to be deposited to General Revenue Dedicated Trauma Facility and Emergency Medical Services account; and the remaining 1 percent to be deposited to the General Revenue fund for use by DPS. Based on these requirements it is assumed that the total amount deposited to the credit of the General Revenue fund (from the provisions of Articles 5 and 24) would be approximately $143.7 million in fiscal year 2004; $107.4 million in fiscal year 2005; $250.2 million in fiscal year 2006; $2.7 million in fiscal year 2007; and $250.2 million in fiscal year 2008. It is also assumed that the Texas Mobility Fund and the General Revenue Dedicated Trauma Facility and Emergency Medical Services account would each realize additional amounts of approximately $55.7 million in fiscal year 2005; $11.5 million in fiscal year 2006; $135.2 million in fiscal year 2007; and $11.5 million in fiscal year 2008.

It is assumed that duties and responsibilities associated with implementing the provisions of Articles 2 through 4, 6, 9, 10, 11, 12, 14, and 16 through 23 could be accomplished by utilizing existing resources; that any cost savings realized by TxDOT from implementing the provisions of the bill would be used for other transportation related purposes; and that any non-dedicated State Highway Funds used for the purposes of Article 6 would not be available for other transportation purposes permissible under current law. TxDOT does not anticipate that it will be able to use the powers and authorities provided in Article 6 of the bill within the next five years. TxDOT does estimate that initial costs for a rail project would involve feasibility studies, environmental assessments, preliminary right-of-way determination, freight and rider studies, and proposal reviews.

Because the legislation would create a dedicated revenue source and dedicated revenue accounts in the General Revenue Fund, the revenue source and accounts included in this bill would be subject to funds consolidation review by the current legislature.

Technology

Article 5 technology related costs include the purchase of desktop computers, printers, software, enterprise agreements, digital imaging equipment, upgrades to the mainframe, and contract programming services for DPS which are estimated to be $1,016,673 in fiscal year 2004 and $3,338 in fiscal year 2005 and fiscal year 2006.

Local Government Impact

It is assumed that costs to local governmental entities, regional mobility authorities, or other transportation-related authorities to implement the provisions of Articles 1, 2, 6, 8, 12, and 19 of the bill would depend on the size and type of projects constructed or transferred and the nature of agreements entered into with TxDOT and/or private entities. According to TxDOT, costs associated with the acquisition, construction and operation of any project would eventually be offset by revenue generated by utility fees, toll receipts, railroad fees and commercial charges. Although TxDOT anticipates that a significant portion of financing will come from private sector involvement, no estimates where made on private sector and state funding portions due to a lack of available information.

Implementing the provisions of Article 5 of the bill would result in local governmental entities' eligibility to receive money from the General Revenue Dedicated Trauma Facility and Emergency Medical Services account. The amount of funds available for distribution would depend upon the number of people issued surcharges under a new driver responsibility program and the number of people convicted under Subchapter D, Chapter 42, Transportation Code.

It is assumed that costs to local governmental entities for to implement Article 9 of the bill would depend on the size and type of projects constructed and the nature of the "pass-through" agreements entered into with TxDOT. It is also assumed that costs associated with the bill would eventually be offset by revenue generated by the pass-through tolls.

To implement Article 15 of the bill, political subdivisions that provide public transportation could incur some costs to cooperate with TxDOT in implementing efficiency measures designed to eliminate overlapping services and comply with specified emissions standards. Costs to those providers would not be known until TxDOT develops measures and targets for the plans.

Local courts could see some additional revenue after implementing the provisions of Section 20 of the bill. If a municipal court or justice court were to impose a fee in addition to court costs, fees, and administrative fees, the additional fee would amount to between the proposed minimum of $10 and the maximum fine for a Class C misdemeanor, which is $500. According to reports available on the Office of Court Administration's (OCA) website, in fiscal year 2002, there were 436,253 non-parking traffic violation cases dismissed in municipal courts after completion of a driving safety course; 203,270 non-parking traffic violation cases dismissed in justice courts after completion of a driving safety course; and 105,271 juvenile cases in municipal court for violations of the Transportation Code, for a total of 744,794 traffic violations to which the proposed additional fee may apply. The OCA report does not specify the level of traffic violations reported; therefore, an assumption is being made for the purposes of this analysis that all would be affected under the proposed amendment to statute. If the same number of applicable cases were to be filed in coming years, and if an additional $10 fee were to be imposed in all 744,794 cases, the courts would experience a cumulative statewide revenue gain of over $7.4 million. If the courts were to impose the maximum additional fee of $500, which is not expected, the courts would experience a cumulative statewide revenue gain of more than $37.2 million. The revenue gain would vary by court and depend on the number of applicable cases and the amount imposed by the court.

No significant fiscal implication to units of local government is anticipated to implement Articles 11, 16, and 24 of the bill. Also, no significant fiscal implication to units of local government is anticipated to implement Article 22 of the bill; however, local government entities may incur minimal costs to report offenses to the Texas Department of Public Safety.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety, 582 Commission on Environmental Quality, 601 Department of Transportation, 802 Parks and Wildlife Department

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