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

# FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

**May 31, 2003**

**TO:** Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Tom Craddick, Speaker of the House, House of Representatives

**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; imposing criminal penalties.), **Conference Committee Report**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3588, Conference Committee Report: a positive impact of $6,297,049 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 | $274,815 |
| 2005 | $6,022,234 |
| 2006 | $6,598,790 |
| 2007 | ($11,301,445) |
| 2008 | ($27,564,265) |

## 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 | $824,760 | ($1,982,945) | $1,026,171,575 | ($1,104,067,820) |
| 2005 | $4,098,848 | ($942,614) | $1,030,923,846 | ($1,214,809,887) |
| 2006 | $4,730,813 | ($998,023) | $1,043,266,764 | ($1,323,902,931) |
| 2007 | ($13,166,617) | ($1,000,828) | $51,901,439 | ($1,432,998,161) |
| 2008 | ($29,427,047) | ($1,003,218) | $66,258,843 | ($1,542,099,730) |

| Fiscal Year | Probable Revenue Gain/(Loss) from *New General Revenue Dedicated Trauma Facility and Emergency Medical Services Acct* | Probable Revenue Gain/(Loss) from *TEXAS MOBILITY FUND* 365 | Probable Savings/ (Cost) from *GR MATCH FOR MEDICAID* 758 | Probable Savings/ (Cost) from *FEDERAL FUNDS* 555 |
|---|---|---|---|---|
| 2004 | $98,463,403 | $138,773,803 | $1,433,000 | $1,433,000 |
| 2005 | $161,519,915 | $211,907,915 | $2,866,000 | $2,866,000 |
| 2006 | $220,904,851 | $244,925,376 | $2,866,000 | $2,866,000 |
| 2007 | $220,904,851 | $249,161,376 | $2,866,000 | $2,866,000 |
| 2008 | $220,904,851 | $251,224,376 | $2,866,000 | $2,866,000 |

| Fiscal Year | Probable Revenue Gain/(Loss) from *County and Local Accounts* | Change in Number of State Employees from FY 2003 |
|---|---|---|
| 2004 | $7,543,000 | (53.5) |
| 2005 | $8,275,000 | (130.0) |
| 2006 | $7,797,000 | (130.0) |
| 2007 | $7,693,000 | (130.0) |
| 2008 | $7,594,000 | (130.0) |

## Fiscal Analysis

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; the powers and duties of a regional mobility authority; 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; the acquisition, financing, construction, operation, and maintenance of rail facilities by the Texas Department of Transportation (TxDOT); the authorization for the TTC to issue bonds and other public securities secured by the State Highway Fund and the financing and construction of highway improvement projects; the use of pass-through tolls for financing certain highway facilities; the conversion of a non-toll state highway to a toll facility; the financing, construction, improvement, maintenance, and operation of toll facilities by TxDOT; the eligibility of a person to operate a commercial motor vehicle in Texas and the enforcement of commercial motor vehicle safety standards; Motor Vehicle Tax collections; the authorization and powers and duties of airport authorities; non-repairable and salvage motor vehicles and salvage vehicle dealers; transportation planning; the creation of the driver responsibility program and funding for certain emergency medical services, trauma facilities, and trauma care systems; 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 and required court costs; neighborhood electric vehicles; public transportation funding allocations; requirements regarding motor vehicle insurance and proof of financial responsibility; and increasing TxDOT grant authority relating to toll roads.  Changes with a measurable fiscal impact are discussed below.

## Methodology

Trans Texas Corridor costs in the bill 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 part of the bill 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.

Driver responsibility program costs include a DPS estimated revenue gain based on statistics from fiscal years 2000 through 2002. 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 $1.2 million in fiscal year 2004; $2.2 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. Estimated revenue gains to the TMF include approximately $59.3 million in fiscal year 2004 and $112.6 million in fiscal year 2005. 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.

The bill includes impacts related to an additional court cost of $30 for violations of highway law; allows counties and municipalities to retain 5 percent of the collected fees; and directs the Comptroller's Office to deposit $67 percent of the remaining amount collected to the credit of the TMF and 37 percent to the credit of the General Revenue Dedicated Trauma Facility and Emergency Medical Services account. Beginning in fiscal year 2006, the bill requires the amount being deposited to the credit of the TMF to be deposited to the credit of the General Revenue Fund. 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 $79.4 million in TMF and $39.1 million in the General Revenue Dedicated Trauma Facility and Emergency Medical Services account; $99.2 million in TMF and $48.9 million in the General Revenue Dedicated Trauma account in fiscal year 2005; and that this amount would increase to $99.2 million in General Revenue and $48.9 million in the General Revenue Dedicated Trauma account during each subsequent year. It is also assumed that counties would realize a revenue gain of approximately $7.8 million each year.

The bill adjusts revenues generated from the driver responsibility program and court costs surcharges for deposit to the General Revenue Fund by requiring a cap on the summation of these revenues in the amount of $250 million each year beginning in fiscal year 2006. It is estimated that approximately $18.3 million in General Revenue would be reallocated in fiscal year 2006, and every year after, so that an additional $6.1 million would be deposited to the General Revenue Dedicated Trauma account and $12.2 million would be deposited to the credit of the TMF in accordance with the requirements of the bill.

The table above includes estimated revenues, based on data from the Comptroller's 2004-05 Biennial Revenue Estimate, of approximately $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, 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.

The bill would authorize bond issuances contingent on the passage and voter approval of HJR 28, 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 3 years beginning on September 1, 2003, at an interest rate of 1.11 percent. It is assumed 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; $1.3 billion in fiscal year 2006; $0.3 billion in fiscal years 2007 and 2008.

The bill 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.

Regarding salvage related costs, TxDOT identified approximately 123,600 salvage certificates, 37,600 salvage certificates of title, and 28,300 non-repairable certificates of title, that would be eligible to pay the $15 application fee for a salvage certificate of title. TxDOT estimates approximately 40 percent of the requests for salvage certificates come from out-of-state and have salvage certificates issued at no cost. For the purposes of this analysis, approximately 82,400 salvage certificates were removed from the calculation subject to the $15 fee deposited to the credit of the General Revenue Fund. TxDOT estimates approximately 74,600 regular titles in fiscal 2004 to be exchanged for salvage certificates of title and non-repairable certificates of title, which would be subject to the $65 re-builder fee to be deposited to the credit of the State Highway Fund. TxDOT estimates two percent of the current salvage certificates would represent the salvage certificates of title issued without the original title returned resulting in the collection of a $100 non-surrender fee, which would be retained by TxDOT and deposited to the State Highway Fund. TxDOT estimates that approximately 2,000 out-of-state purchasers licenses would be issued annually at $200 each, along with 2,000 annual renewals at $200 each. The number of $25 Internet licenses that would be issued annually is unknown and cannot be estimated. It is assumed that inspection fees currently deposited to the credit of the General Revenue Fund would be eliminated by the bill. It is also assumed that counties would be impacted by approximately 12,360 transactions related to motor vehicle registration and certificates of title not being processed due to some non-repairable titles being ineligible for titling or registration in the state.

Costs relating to requirements regarding motor vehicle insurance and proof of financial responsibility are based on information provided by TDI and TxDOT. TxDOT assumes that 22 percent of the estimated 15,500,000 motor vehicles registered for passenger use in Texas would not be in compliance with current insurance requirements. TxDOT also assumes that 22 percent (110,000) of the required sample of 500,000 would be found to be in violation during the first year and that 50 percent of this amount would provide sufficient proof of insurance to prevent suspension. Of the remaining 50 percent, TxDOT estimates 90 percent would come into compliance and resolve the suspension during the year (10 percent would provide the necessary proof of insurance and pay the $100 penalty, but would not have to pay the additional registration fee and the remaining 80 percent would provide the necessary proof of insurance, pay the $100 penalty, and the additional registration fee). For the purposes of this analysis, TxDOT used an average registration fee of $60 and assumed that $40 of this fee would be deposited to the credit of the State Highway Fund and the remaining $20 would be credited to counties where the registration occurred. Accordingly, it is estimated that approximately $2.0 million in fiscal year 2005, $0.2 million in fiscal year 2006, and $0.03 million in fiscal year 2007 would be deposited to the General Revenue Fund. It is estimated that the General Revenue Fund would realize a loss of $0.1 million in fiscal year 2008. Including the additional $1 fee added to motor vehicle registration fees, it is estimated that approximately $17.0 million in fiscal year 2004, $20.8 million in fiscal year 2005, $20.1 million in fiscal year 2006, $20.2 million in fiscal year 2007, and $20.5 million in fiscal year 2008 would be deposited to the State Highway Fund. TxDOT estimates that costs of approximately $1.9 million each year beginning in fiscal year 2005 would be incurred for a private vendor; that programming changes in fiscal year 2004 would cost $312,454; and that additional administrative operating costs of $12,540 would be realized in fiscal year 2005, $6,840 in fiscal year 2006, $6,270 in fiscal year 2007, and $5,700 in fiscal year 2008. For the purposes of this analysis, it is assumed that equivalent amounts from penalties collected would be deposited to the credit of the State Highway Fund to offset these costs and the remainder would be deposited to the credit of the General Revenue Fund in accordance with the bill.

The bill would allow counties to calculate an amount equivalent to 5% of the motor vehicle sales tax in their counties and retain a portion of that percentage in accordance with the bill. It is assumed that counties would not retain any taxes until fiscal year 2006 and that in that year they would retain 10% of 5% of the amount identified, increasing to 100% of the 5% in 2015. It is assumed that fees retained by counties under current law would be no longer be retained at a rate equivalent to 90% of the 5% in 2005, declining to 0% by 2015. In addition, counties would retain a portion of the motor vehicle sales tax revenues instead of vehicle registration fees in accordance with the provisions of the bill. It is assumed that counties would also start retaining 90% of the 5% in fiscal year 2006. General Revenue losses are anticipated to be approximately $14.3 million in 2006; $30.0 million in 2007; $47.3 million in 2008; and to continue in a like manner until reaching approximately $200 million in 2015. Conversely, revenue gains to the State Highway Fund are estimated to be approximately $14.3 million in 2006; $30.0 million in 2007; and $47.3 million in 2008; and to continue in a like manner until reaching approximately $200 million in 2015.

In addition, the bill would create a Texas Mobility Fund debt service account. Amounts reflected above in the TMF in fiscal year 2004 and 2005 include amounts that would be deposited to the credit of this account.

It is assumed that duties and responsibilities associated with implementing the provisions of all other parts of the bill 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 rail 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 the bill regarding rail 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.

## Technology

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, 4, 7, and 15of 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.

It is assumed that costs to local governmental entities for to implement Article 6 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. Costs associated with the bill would eventually be offset by revenue generated by the pass-through tolls.

Under the provisions of Article 9, it is estimated that counties would realize a revenue loss of approximately $130.6 million in 2004; $5.5 million in 2005; $5.6 million in 2006; $5.7 million in 2007; and $5.8 million in 2008.

Implementing the provisions of Article 10 of the bill would result in local governmental entities' eligibility to receive money from the tertiary care fund. 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. TxDOT estimates that fines for traffic laws would general approximately $83 million per year for the tertiary care fund. Ninety-six percent of the tertiary care funds would be distributed proportionally through regional advisory councils to trauma facilities that provide uncompensated care.  (These funds may also be used to fund projects to enhance the delivery of patient care in the overall emergency medical services and trauma care system.) Two percent of the money from the account would be distributed to trauma service area regional advisory councils for distribution to counties for the cost of supplies, operational expenses, education and training, equipment, vehicles, and communications systems for local emergency medical services. The 22 statewide trauma service areas would be eligible to receive no more than one percent of the funds for operations, equipment, communications, education, and training.

No significant fiscal implication to units of local government is anticipated to implement Article 8 of the bill.  Local government entities may incur minimal costs to report offenses to the Texas Department of Public Safety.

To implement Article 13 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.

No significant fiscal implication to units of local government is anticipated to implement Article 18 of the bill.

No significant fiscal implication to units of local government is anticipated to implement Article19 of the bill. Local governments could see some increased revenues from fines, but this revenue is not expected to be significant to the budgets of these entities.

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

**LBB Staff:** JK, JO, RR, SD, MW, WP, RS, KG