LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 2, 2003

TO: Honorable Mike Krusee, Chair, House Committee on Transportation

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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3588, Committee Report 1st House, Substituted: a negative impact of ($90,500,254) 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.

This analysis is based on a proposed substitute and does not include a thorough analysis on any changes to that substitute.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	($76,794,583)
2005	($13,705,671)
2006	$39,541,335
2007	$35,302,530
2008	$33,237,140

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	($74,811,638)	($1,982,945)	$1,005,166,000	($1,103,755,366)
2005	($12,763,057)	($942,614)	$1,005,166,000	($1,212,856,706)
2006	$40,539,358	($998,023)	$1,005,166,000	($1,321,955,450)
2007	$36,303,358	($1,000,828)	$1,005,166,000	($1,431,051,250)
2008	$34,240,358	($1,003,218)	$1,005,166,000	($1,540,153,389)

Fiscal Year	Probable Revenue Gain/(Loss) from *TEXAS MOBILITY FUND* 365	Probable Revenue Gain/(Loss) from *New General Revenue Dedicated Trauma Account*	Probable Revenue Gain/(Loss) from *New General Revenue Dedicated Tertiary Account*	Change in Number of State Employees from FY 2003
2004	$218,549,000	$59,338,603	$41,600,000	23.0
2005	$231,652,000	$112,613,915	$52,000,000	23.0
2006	$232,696,000	$165,884,163	$52,000,000	23.0
2007	$236,932,000	$165,884,163	$52,000,000	23.0
2008	$238,995,000	$165,884,163	$52,000,000	23.0

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 shadow 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 re-creation of the tertiary care account under the Health and Safety Code and required court costs.

Articles 1, 2, 3, 6, 9, 10, and 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, and 12 of the bill would take effect September 1, 2003. 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. The estimate assumes a compliance rate for the payment of the driver responsibility 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 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 license 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.

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 five 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; $1.3 billion in fiscal year 2006; $1.4 billion in fiscal year 2007; and $1.5 billion in fiscal year 2008.

Article 12 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 a re-created dedicated General Revenue Tertiary Care account. 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 Tertiary Care account; and that this amount would increase to $104 million in General Revenue and $52 million in the General Revenue Dedicated Tertiary Care account during each subsequent year.

It is assumed that duties and responsibilities associated with implementing the provisions of Articles 2, 3, 4, 6, 9, 10, and 11 could be accomplished by utilizing existing resources. It is also assumed that any cost savings realized by the state through TxDOT from activities and established agreements involving RMAs, exclusive development agreements, and advanced property acquisition would be used for other transportation related purposes. It is also assumed 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; however, TxDOT does not anticipate that it will be able to use the powers and authorities provided in the bill within the next five years. TxDOT estimates 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 or regional mobility authorities to implement the provisions of Articles 1, 2, and 6 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 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.

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 "shadow toll" agreements entered into with TxDOT. According to TxDOT, costs associated with the bill would eventually be offset by revenue generated by the shadow tolls.

No significant fiscal implication to units of local government is anticipated to implement Article 12 of the bill.

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

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