LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 26, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB422** by Bivins (Relating to requirements regarding motor vehicle insurance and proof of financial responsibility; providing penalties.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB422, As Engrossed: a positive impact of $7,946,819 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	$0
2005	$7,946,819
2006	$3,452,519
2007	$3,003,089
2008	$2,553,659

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/(Loss) from *STATE HIGHWAY FUND* 6	Probable Savings/(Cost) from *STATE HIGHWAY FUND* 6
2004	$0	$0	($312,454)
2005	$7,946,819	$3,537,181	($1,953,181)
2006	$3,452,519	$2,591,481	($1,947,481)
2007	$3,003,089	$2,398,911	($1,946,911)
2008	$2,553,659	$2,216,341	($1,946,341)

Fiscal Analysis

The bill would amend the Transportation Code and the Insurance Code relating to requirements for motor vehicle insurance and proof of financial responsibility. The bill would partially implement recommendation GG 24 from the Comptroller's e-Texas report, Limited Government, Unlimited Opportunity. The bill would establish a process in which the Department of Transportation (TxDOT), or its designated agent, would select a random sample from its records of motor vehicle registrations, send letters to the owners, and check their responses with the insurance companies allegedly issuing their policies. The bill would establish guidelines, requirements, penalties, and procedures for the suspension, termination, and reinstatement of registrations and for addressing violations, offenses, and non-compliance with the requirements of the bill. The bill would require TxDOT to collect civil penalties and deposit amounts necessary to cover its administrative costs to the credit of the State Highway Fund. The bill would also require TxDOT to deposit amounts collected above its administrative costs to the credit of the General Revenue Fund.

The bill would require TxDOT, the Department of Insurance (TDI), and the Department of Public Safety (DPS) to work together to implement the provisions of the bill and would require the Texas Transportation Commission and the Commissioner of Insurance to establish necessary rules to implement the provisions of the bill.

The bill would take effect September 1, 2003, and would require that changes made in law would apply only to an offense committed on or after that date. Article 1 of the bill relating to financial responsibility requirements would take effect January 1, 2005.

Methodology

Based on information provided by TDI, 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 $250 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 $250 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 $9.9 million in fiscal year 2005, $5.4 million in fiscal year 2006, $5.0 million in fiscal year 2007, and $4.5 million in fiscal year 2008 would be deposited to the General Revenue Fund; and that approximately $1.6 million in fiscal year 2005, $0.9 million in fiscal year 2006, $0.8 million in fiscal year 2007, and $0.7 million in fiscal year 2008 would be deposited to the State Highway Fund.

TxDOT assumes that revenue losses would be realized for the 10 percent of drivers initially found to be in non-compliance who would not repay the annual registration fee. TxDOT estimates that 5,500 would be identified in this category in fiscal year 2005; 3,000 in fiscal year 2006; 2,750 in fiscal year 2007; and 2,500 in fiscal year 2008. It is also assumed revenue losses from this group would not be realized during the year of discovery, but during each following year.

TxDOT assumes 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.

Based on an analysis of the number of Full-Time Equivalents (FTE) reported over the last several years by TxDOT and the authorized amount funded by the Legislature each year, it is assumed that duties and responsibilities associated with implementing the provisions of the bill could be accomplished under the current funded level of FTEs. In addition, it is assumed that duties and responsibilities of TDI and DPS associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Technology

TxDOT estimates programming costs of $312,454 for necessary programming changes to the agency's Registration and Titling System.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Based on the analysis described above, TxDOT estimates that net revenue gains of $792,000 in fiscal year 2005 would be realized across all counties and that the amount of gains would decrease during each subsequent year. TxDOT estimates that gains of $322,000 would be realized in fiscal year 2006; $226,000 in fiscal year 2007; and $135,000 in fiscal year 2008.

Source Agencies: 405 Department of Public Safety, 601 Department of Transportation, 454 Department of Insurance

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