

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 7, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB280 by Hope (relating to the impoundment of motor vehicle license plates and the suspension of the vehicle registration for failure to maintain financial responsibility.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB280, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2007.

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
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>STATE HIGHWAY FUND</i> 6	Probable Revenue Gain/(Loss) from <i>STATE HIGHWAY FUND</i> 6
2006	(\$1,266,962)	\$8,192,976
2007	(\$968,329)	\$12,289,465
2008	(\$968,329)	\$12,289,465
2009	(\$968,329)	\$12,289,465
2010	(\$968,329)	\$12,289,465

Fiscal Analysis

The bill would amend the Transportation Code as it relates to the impoundment of motor vehicle license plates and the suspension of vehicle registration for failure to maintain financial responsibility.

Under the provisions of the bill, if a person required by Section 601.053, Transportation Code, fails to provide a peace officer with evidence of financial responsibility for a motor vehicle, the officer would be required to 1) remove each license plate attached to the vehicle; 2) provide a temporary license plate and issue the person a written notice specifying the vehicle's registration will be suspended by the Texas Department of Transportation (TXDOT) unless specific actions are taken; and 3) provide for secure impoundment of each removed plate.

The law enforcement agency that impounds a license plate would be required to release the plate to the owner or operator of the vehicle if the owner or operator before the 11th day after the date of impoundment 1) shows evidence of financial responsibility; 2) shows the vehicle was exempt from the requirements; or 3) shows that proof of financial responsibility for the vehicle had been obtained and is valid for a minimum of 180 days. The bill would require anyone whose plates have been removed, to pay an administrative fee to the law enforcement agency that removed the plates. The administrative fee may not exceed an amount that is sufficient for a law enforcement agency to recover actual costs of enforcing this section of the bill.

If an impounded license plate is not recovered by the owner or operator of the vehicle before the 11th day after the date of impoundment, the license plate would be returned to TXDOT, along with a form designed by TXDOT explaining why the plates were returned. If proof of financial responsibility is not received by TXDOT between the 11th and 60th day after the date of impoundment, TXDOT would suspend the registration of the vehicle and a suspension notice would be mailed to the owner. Individuals whose registration has been suspended would be required to pay a \$100 reinstatement fee to the county tax assessor in addition to the administrative fee. The bill would allow the county tax assessor to retain \$10 of the \$100 reinstatement fee and require the county tax assessor to send the remaining \$90 to the Comptroller of Public Accounts to be deposited to the credit of the state highway fund.

The bill would take effect September 1, 2005.

Methodology

The Department of Public Safety (DPS) reports that under the provisions of the bill, minor changes to the Texas Law Enforcement Telecommunications System would be required. However, the program changes can be handled within existing resources. DPS also indicated that it could absorb the cost for storage of license plates, destruction of license plates, and tools.

Additionally, the bill allows DPS to set fees to be imposed on the owner or operator of a license plate released under Subsection (b) (1) (A) or (B) or on the owner or operator of a license plate released under Subsection (b) (1) (C) of the bill to recover actual costs of impounding the plates. The funds collected from these fees would be used by law enforcement agencies to cover the costs of administering the program.

In order to comply with the provisions of the bill, TXDOT reports that \$428,605 in fiscal year 2006 for modifications to TXDOT's mainframe and Registration and Title System (RTS) would be needed. Additionally, costs for replacement license plates and validation stickers, temporary license plates, compliance notice, suspension notification letters, and suspension notifications would total \$838,357 in fiscal year 2006 and \$968,329 in each subsequent fiscal year. This estimate is based on the number of citations issued in 2003 to vehicle owners for failure to provide valid proof of financial responsibility. Based on this information, TXDOT assumed that a like number (711,855) of vehicle owners or operators would be stopped during fiscal years 2006-2010 and would be unable to provide valid proof of financial responsibility resulting in impoundment of license plates and issuance of temporary license plates by a peace officer. It was assumed that of the 711,855 vehicle owners or operators who have their license plates removed, 80 percent (or 569,484) will avoid registration suspension by providing acceptable proof of financial responsibility within 60 days after the license plates were impounded. It is also assumed that of the 569,484 vehicle owners or operators that do provide acceptable proof of financial responsibility, 25 percent (or 142,371) will comply within 11 and 60 days, however they will need to obtain replacement license plates and validation stickers. Of the 142,371 (20 percent) that do have their registration suspended, it is assumed that 14,237 will never come into compliance and their registration will remain suspended. The remaining 128,134 will come into compliance during the fiscal year and will resolve the suspension by paying a \$5.30 replacement fee (\$2.80 to the state and \$2.50 to the county), providing acceptable proof of financial responsibility, and paying a \$100 reinstatement fee. The estimated revenue gain from the replacement fee and the reinstatement fee would be \$8,192,976 in fiscal year 2006 and \$12,289,465 in each subsequent fiscal year.

Technology

Technology costs consist of a one-time cost of \$428,605 in fiscal year 2006 for programming changes to the TXDOT mainframe and Registration and Title System.

Local Government Impact

Costs to local law enforcement agencies to implement the provisions of the bill could be considerable. The agencies would receive fees from the offenders that pay for the return of their license plates. These revenues could offset the personnel, capital, and operational costs, but the revenues would depend upon the number of offenders who pay for return of the plates and the amount at which the Department of Public Safety (DPS) sets the fee. The agencies will have costs associated with destroying impounded license plates if the individual does not recover the plate within ten calendar days.

If an offender does not recover the impounded license plate from the local law enforcement agency within ten days or provide proof of financial responsibility from the 11th to the 60th day after impoundment, the offender would have to apply to TXDOT for reinstatement of the registration of the vehicle and pay a fee of \$100. Counties would be able to retain \$10 of the fee; revenues would depend on the number of offenders who pay for reinstatement. There would also be a fee of \$5.30 for the replacement license plates and registration validation sticker; of this amount, \$2.50 would be retained by the county. TxDOT estimates that this would result in \$1,305,068 in revenue for the 254 Texas counties in fiscal year 2006 and \$1,957,602 in each subsequent fiscal year.

Local law enforcement agencies would have to obtain the Recovery Notice form from DPS. DPS would sell this form to the local agency at department cost.

The Harris County Sheriff's Department reported that implementation of the provisions of the bill would result in new expenditures for personnel, capital equipment and operational costs of approximately \$1,135,720 in fiscal year 2006. These costs would increase to \$1,226,590 in fiscal year 2010, mostly due to increased personnel costs.

The Abilene Police Department estimated their costs to be a minimum of \$27,240 per year, based upon 2,000 stops for no insurance. These costs would include overtime for a police officer, records clerk, and a property clerk, plus postage to mail notification letters to the appropriate state agency.

The Collin County Sheriff's Office estimated that at a minimum, one new employee would be needed at a cost of \$64,700 in fiscal year 2006, which would rise to \$71,500 in fiscal year 2010. The office also estimated that there would be minimal revenue gains to offset the personnel costs.

The Travis County Sheriff's Office estimated that they would require a minimum of 4.25 new personnel and additional operational costs to implement the provisions of the bill. This would result in costs of approximately \$259,504 in fiscal year 2006; these costs would rise to approximately \$265,667 in fiscal year 2010 due to increased salaries for the additional personnel.

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

LBB Staff: JOB, JRO, VDS, SJ, KJG, LM