

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 8, 2005

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

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

IN RE: HB2893 by Phillips (Relating to a motor vehicle liability insurance compliance program; providing civil and criminal penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2893, As Introduced: 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 Revenue Gain/(Loss) from <i>STATE HIGHWAY FUND</i> 6	Change in Number of State Employees from FY 2005
2006	(\$135,050,206)	21.0
2007	(\$65,347,707)	21.0
2008	(\$30,291,453)	21.0
2009	(\$30,331,236)	21.0
2010	(\$30,332,428)	21.0

Fiscal Analysis

The bill would amend the Transportation Code as it relates to a motor vehicle liability insurance compliance program and provides civil and criminal penalties.

The bill would require the Department of Public Safety (DPS) to establish a motor vehicle liability insurance compliance program. DPS would be allowed to request and obtain advice and assistance from other agencies including the Texas Department of Insurance and the Texas Department of Transportation. DPS would also be allowed to contract with one or more public or private entities to administer the liability insurance compliance program.

An insurance company would be required to report electronically to DPS no later than the third business day after the date of issuance or renewal of a liability insurance policy, 1) the insurance

policy number, 2) the effective date of the policy, 3) the make, model, license plate number, and vehicle identification number of each vehicle covered by the policy, and 4) any other information required by DPS when an insurance company or its designated agent issues, renews, terminates, or cancels a motor vehicle liability insurance policy to a person required to maintain insurance or who is the holder of a driver's license or commercial driver's license. Information relating to an insurance policy terminated or cancelled would be required to be provided to DPS before the effective date of termination or cancellation. Although insurance companies would be required to report information to DPS in a format specified by DPS, it would have to be compatible with insurance industry standards and would remain the property of the insurance company.

The bill would require DPS or an administering entity to develop and maintain a database to administer and enforce the provisions of the motor vehicle liability insurance program. The bill would require the database be updated periodically to identify new insurance policies and determine whether previous insurance policies are still in effect. An individual disclosing information to someone who is not authorized to receive the information or view, read, or copy the information would be committing a state jail felony.

The bill would prohibit an insurance company or its designated agent from assessing or collecting a fee from motor vehicle liability insurance policyholders because the company has to comply with the motor vehicle liability insurance compliance program.

The bill would require DPS, not later than January 1, 2006, to issue or contract for the issuance of special inspection certificates, which would be affixed to vehicles that are inspected found to be in safe and proper condition. The special inspection stickers would have tamper-resistant transponders capable of storing information compatible with the Texas Department of Transportation's automated vehicle registration and certificate of title system and for use by the State system of toll roads and facilities.

Registered vehicle owners detected and identified through the transponders as not covered by a policy that provides the minimum coverage, upon verification and written notice of noncompliance, would be liable to the state for the payment of a \$250 civil penalty. The bill would require DPS or the administering entity to send via first class mail notification of noncompliance with insurance requirements not later than the 30th day after the owner's vehicle was determined to not be in compliance.

The bill would allow persons to request an appeal hearing by notifying DPS in writing. A person failing to appear for their appeal hearing without just cause would waive their right to the hearing and the \$250 civil penalty would become final. The bill would require that a State Office of Administrative Hearings (SOAH) administrative law judge conduct appeal hearings. The bill would also provide procedures should the person or the department or administering entity wish to appeal the decision of the SOAH administrative law judge. Under the provisions of the bill, SOAH would be allowed to collect a fee for transcripts. Upon payment of the transcript fee, SOAH would be required to furnish both parties with a copy of the transcript.

The bill would make it a class C misdemeanor to refuse to pay a civil penalty as a result of failing to comply with the motor vehicle liability insurance compliance program. The court collecting the civil penalty would be entitled to retain 10 percent of the penalty amount in the county treasury. The remaining amount would be forwarded to DPS and could only be used for administration of the vehicle liability insurance compliance program. The bill would also require DPS to suspend the driver's license and vehicle registration of any person who fails or refuses to pay a civil penalty as a result of failing to comply with the motor vehicle liability insurance compliance program for six months.

The bill would take effect September 1, 2005.

Methodology

Under the provisions of the bill, DPS or an administering entity would be required to develop and maintain a computer database to be used in the administration and enforcement of the motor vehicle

liability insurance compliance program. DPS estimates it would cost \$5,535,987 in fiscal year 2006 to contract with a vendor for development of a computer database and \$1,845,329 in each fiscal year from 2007 through 2010 for maintenance of the database. The Department of Transportation (TXDOT) reports that programming modifications to provide DPS periodically with updated vehicle registration information would be \$52,065 in fiscal year 2006 and \$67,020 in subsequent fiscal years. The total cost to comply with the development and maintenance of a computer database to be used in the administration and enforcement of the motor vehicle liability insurance compliance program would be \$5,588,052 in fiscal year 2006 and \$1,912,349 in subsequent fiscal years.

The bill would also require DPS to issue or contract with a vendor for the issuance of special inspection certificates to be affixed to motor vehicles found to be in proper and safe condition. DPS estimates the costs for the tamper-resistant transponders will be \$10.00 each. According to DPS there were 18,453,290 vehicles registered in 2004. DPS estimates that 67 percent of vehicle owners will be eligible to register their vehicle after the tamper-resistant transponders become available January 1, 2006 and the remaining 33 percent plus an additional 3 percent growth will register their vehicles the following year. DPS also estimates that each subsequent year would be 15 percent of the adjusted fiscal year 2007 total for each year from fiscal year 2008 through 2010. The estimated cost for transponders in fiscal year 2006 would be \$127,346,154 (18,453,290 x 3 percent growth x 67 percent x \$10), \$62,722,733 (18,453,290 x 3 percent growth x 33 percent x \$10) in fiscal year 2007, and \$27,679,935 (18,453,290 x 15 percent x \$10) in subsequent fiscal years. DPS reports in addition to the transponder costs, additional technology costs would be incurred to comply with the provisions of the bill. The estimated technology costs associated with the tamper-resistant transponders would be \$1,433,199 in fiscal year 2006, \$29,824 in fiscal year 2007, \$16,368 in fiscal year 2008, \$56,151 in fiscal year 2009, and \$57,343 in fiscal year 2010.

DPS would need 21 additional full-time-equivalent positions (FTEs) to comply with the provisions of the bill. These additional FTEs would prosecute cases, process the additional mail, process hearing requests, and reconcile and balance deposits. The estimated FTE costs, including benefits, would be \$682,801 per fiscal year.

The bill would allow DPS to collect a \$250 civil penalty from motorists detected, identified, verified, and notified as not in compliance with motor vehicle insurance liability standards. The Comptroller of Public Accounts (CPA) states that the number of persons that might violate the liability insurance provisions, be subject to the civil penalty of \$250, and make a payment to DPS cannot be estimated. However, the potential revenue would be substantial.

The Department of Public Safety (DPS) reports that the current driver license system and the Texas Law Enforcement Telecommunications System (TLETS) would need program modifications in order to comply with the provisions of the bill; however, these modifications can be accomplished within existing resources.

The estimated total cost for complying with the provisions of the bill would be \$135,050,206 in fiscal year 2006, 65,347,707 in fiscal year 2007, \$30,291,453 in fiscal year 2008, \$30,331,236 in fiscal year 2009, and \$30,332,428 in fiscal year 2010.

The bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either within or outside the Treasury, or create a dedicated revenue source. Therefore, the fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Technology

Technology costs include costs to comply with the development and maintenance of a computer database and costs associated with the tamper-resistant transponders.

The technology costs estimated to comply with the development and maintenance of a computer database to be used in the administration and enforcement of the motor vehicle liability insurance compliance program would be \$5,588,052 in fiscal year 2006 and \$1,912,349 in subsequent fiscal years.

The estimated technology costs associated with the tamper-resistant transponders would be \$1,433,199 in fiscal year 2006, \$29,824 in fiscal year 2007, \$16,368 in fiscal year 2008, \$56,151 in fiscal year 2009, and \$57,343 in fiscal year 2010.

The total estimated technology costs would be \$7,021,251 in fiscal year 2006, \$1,942,173 in fiscal year 2007, \$1,928,717 in fiscal year 2008, \$1,968,500 in fiscal year 2009, and \$1,969,692 in fiscal year 2010.

Local Government Impact

Courts that collect the civil penalty would retain ten percent of the amount of the penalty for deposit in the county treasury. Revenue from the penalty would depend on the number of offenders.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 360 State Office of Administrative Hearings, 405 Department of Public Safety, 454 Department of Insurance, 601 Department of Transportation

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