

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 22, 2011

TO: Honorable Sid Miller, Chair, House Committee on Homeland Security & Public Safety

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

IN RE: HB1810 by Burnam (Relating to the repeal of the driver responsibility program and to the replacement of the revenue derived from the driver responsibility program through an increase in the tax on cigarettes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1810, As Introduced: a positive impact of \$22,214,619 through the biennium ending August 31, 2013.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$26,310,000) for the 2012-13 biennium. Any loss to the Property Tax Relief Fund will be made up with General Revenue of the same amount.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$30,313,332
2013	(\$8,098,713)
2014	(\$18,636,673)
2015	(\$33,896,673)
2016	(\$22,357,673)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304	Probable Revenue Gain/(Loss) from <i>Trauma Facility And Ems</i> 5111
2012	\$12,284,332	\$18,029,000	(\$12,500,000)	\$18,654,000
2013	\$12,700,287	(\$20,799,000)	(\$13,810,000)	(\$19,529,000)
2014	\$13,134,327	(\$31,771,000)	(\$12,011,000)	(\$30,108,000)
2015	\$13,134,327	(\$47,031,000)	(\$12,860,000)	(\$45,343,000)
2016	\$13,134,327	(\$35,492,000)	(\$11,185,000)	(\$33,785,000)

Fiscal Year	Change in Number of State Employees from FY 2011
2012	(23.5)
2013	(35.0)
2014	(47.0)
2015	(47.0)
2016	(47.0)

Fiscal Analysis

The bill would amend the Health & Safety Code and the Transportation Code to repeal the Driver Responsibility Program (DRP), and make other conforming changes to the Code of Criminal Procedure and the Education Code.

The bill would amend Chapter 154 of the Tax Code, regarding the cigarette tax, to increase the tax rate on cigarettes weighing less than three pounds per thousand cigarettes to \$76.50 per thousand cigarettes (\$1.53 per pack of 20 cigarettes) from \$70.50 per thousand cigarettes (\$1.41 per pack). The tax rate on cigarettes weighing more than three pounds per thousand would correspondingly increase to \$78.60 per thousand from \$72.60 per thousand.

The bill would amend the Code of Criminal Procedure by requiring the Texas Department of Public Safety (DPS) to designate, by rule, the offenses that would constitute a moving violation of the traffic law for the purpose of assessing court costs on convictions to fund a statewide repository for data related to civil justice.

The bill would repeal Chapter 708 of the Transportation Code, regarding the DRP.

The bill would take effect September 1, 2011.

Methodology

DRP surcharges are imposed on persons for a period of 36 months. The bill's repeal of DRP would not forgive surcharges assessed prior to the effective date of the bill, or any outstanding surcharges, or penalties from earlier years. Estimated revenue impacts were derived from the 2012-2013 Biennial Revenue Estimate, adjusted for remittances for prior surcharges assessed which will accrue to the state through fiscal 2013 and projected through 2016.

Since surcharges assessed prior to the effective date of the bill will continue to be collected it is assumed DPS will maintain a reduced level of full-time equivalents to administer the program during the next biennium. Beginning in fiscal year 2012 a savings will be realized from a reduction in costs relating to vendor base compensation for the collection of surcharges.

The proposed tax rate increases would have a negative effect on the taxable consumption of cigarettes and other tobacco products in Texas. Potential revenue collections were adjusted for consumption and tax avoidance effects and for collection lags.

This analysis assumed that allocations would begin when the new tax revenue reached the State Treasury, which would be approximately one month following the bill's effective date.

Technology

The Department of Public Safety reports that systems analysis and programming changes would be needed as a result of this bill; the cost of these changes could be absorbed.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety

LBB Staff: JOB, ESi, SD, AG