

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 22, 2011

TO: Honorable Larry Phillips, Chair, House Committee on Transportation

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

IN RE: HB3297 by Harper-Brown (Relating to the registration and titling of motorboats, vessels, and outboard motors by the Texas Department of Motor Vehicles.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3297, As Introduced: a negative impact of (\$8,207,794) through the biennium ending August 31, 2013.

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
2012	(\$4,246,457)
2013	(\$3,961,337)
2014	(\$3,961,337)
2015	(\$3,961,337)
2016	(\$3,961,337)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Game,Fish,Water Safety Acct. No. 9 and State Parks Acct. No. 64	Probable Savings from Game,Fish,Water Safety Acct. No. 9 and State Parks Acct. No. 64	Probable Revenue Gain from General Revenue Fund 1	Probable (Cost) from General Revenue Fund 1
2012	(\$21,886,474)	\$20,346,808	\$18,071,657	(\$22,318,114)
2013	(\$21,886,474)	\$19,576,975	\$18,071,657	(\$22,032,994)
2014	(\$21,886,474)	\$19,576,975	\$18,071,657	(\$22,032,994)
2015	(\$21,886,474)	\$19,576,975	\$18,071,657	(\$22,032,994)
2016	(\$21,886,474)	\$19,576,975	\$18,071,657	(\$22,032,994)

The bill would amend portions of the Parks and Wildlife Code and the Tax Code to transfer the duties of registering and titling motorboats, vessels, and outboard motors from the Texas Parks and Wildlife Department (TPWD) to the Texas Department of Motor Vehicles (DMV) no later than January 1, 2012. The bill would remove vessel registration, and vessel manufacturer or dealer licensing fees as sources of revenue deposited to the General Revenue-Dedicated Game, Fish, and Water Safety Account No. 9 and makes no mention of the fund to receive these revenues, which this analysis assumes would be deposited to the credit of the General Revenue Fund. Provisions of the Parks and Wildlife Code relating to the transfer of 15 percent of boat registration and titling revenue from the Game, Fish, and Water Safety Account into the State Parks Account No. 64 for the support of state parks would be repealed. The bill would take effect September 1, 2011.

Fiscal Analysis

The bill would result in both a revenue loss and savings to the Game, Fish and Water Safety Account No. 9 and the State Parks Account No. 64 of \$21,886,474 per fiscal year. This analysis assumes revenue gains and savings are not prorated for 8 months in fiscal year 2012, although program costs for transfer are prorated. The bill would result in a revenue gain to the General Revenue Fund of \$18,071,657 and to counties of \$3,814,817 per fiscal year. This analysis assumes program costs of \$2,309,499, including 40 FTEs would be transferred from TPWD to DMV, prorated for 12 months in 2012. Other DMV costs include one-time 2012 expenses of \$333,960 for DMV start up costs, and office lease space for 40 new personnel at DMV, prorated for 8 months in 2012 (\$97,680) and ongoing in 2013 and each year thereafter (\$146,520).

Finally, it should be noted that this revenue stream at TPWD is used to finance enforcement of water safety laws, state park operations, and administration. Accordingly, corresponding costs to the General Revenue Fund reflect the ongoing cost of these functions, (\$21,886,474) less the transferred program costs (\$2,309,499), prorated for the first year.

Methodology

Revenue Loss to Fund 9 and Fund 64: TPWD reports that fiscal year 2010 revenue from the registration and titling of motorboats, vessels, and outboard motors total \$21,886,474 per year to the Game, Fish and Water Safety Account No. 9, including the 15 percent transfer into the State Parks Account No. 64 (\$2,973,809) and the 5 percent of sales tax TPWD currently retains for boat and boat motor sales out of all sales tax collected (\$2,061,080). Under the Tax Code §160.121(c), TPWD currently retains 5 percent of sales tax from boat and boat motor sales, and this analysis assumes that because TPWD would no longer be handling this function, the \$2,061,080 would be included in the revenue loss to Fund 9. The total amount, \$21,886,474, is reflected as both the revenue loss to Fund 9 and Fund 64, as well as the probable savings to the two accounts as this method of finance is no longer available to TPWD for any function, including boat registration and titling, water safety enforcement, park operations, and administrative support.

Revenue Gain to the General Revenue Fund: The bill would result in a revenue gain to the General Revenue Fund of \$18,071,657 and to counties of \$3,814,817 per fiscal year (\$18,071,657+\$3,814,817= \$21,886,474), a lesser revenue gain primarily because this analysis assumes DMV would use county tax offices as the “point of sale” for registration and titling and counties would also retain the 5 percent of sales tax collections currently retained by TPWD.

Costs to General Revenue:

1) **Costs to TPWD:** Savings at TPWD are offset by costs to the General Revenue Fund to cover the costs of water safety enforcement, park operations, and administrative support previously financed by the revenue from boat registration, titling and boat and boat motor sales tax: \$20,346,808 in fiscal year 2012 (\$21,886,474-\$1,539,666 for prorated transferred program costs) and \$19,576,975 in fiscal year 2013 and each year thereafter (\$21,886,474-\$2,309,499 for transferred program costs). This analysis assumes: 1) Game Wardens would still be responsible for water safety enforcement and investigations related to boat registration and titling, as well as boat sales tax issues; and 2) State Park operations would need an alternative revenue source to replace the 15 percent transfer into the State Parks Account from boat registration and titling revenues (\$2,973,809 per fiscal year). TPWD reports that other major sources of fee revenue into the Game, Fish and Water Safety Account No. 9 could not be used for water safety-related costs. Under federal guidelines, the use of hunting and fishing licenses and related revenue to cover water safety enforcement and related activities would constitute a diversion of funds and could result in a potential loss of federal dollars.

2) **Transferred Program Costs at DMV:** TPWD reports that program costs to administer boat registration and titling costs an estimated \$2,309,499 per year, including 40 FTEs (\$1,947,485 in costs related to the strategy for boat registration and titling and the strategy for law enforcement, and \$362,014 in related benefits costs). This analysis assumes the transfer of the program to the DMV will result in additional costs: a) \$333,960 in fiscal year 2012 for DMV facilities build-outs to accommodate the new staff, programming expenses, and other start up costs; and, 2) ongoing costs for office lease space, prorated for 8 months in 2012 (\$97,680) and \$146,520 in fiscal year 2013 and each

year thereafter. Prorated amounts in 2012 are \$1,971,306 (\$1,539,666 for 8 months of program expenses transferred from TPWD+\$333,960 in start-up costs+97,680 for office lease space=\$1,971,306). Ongoing costs are \$2,456,019 (\$2,309,499 in transfers from TPWD+\$146,520 in office lease space=\$2,456,019).

Combined costs of these two elements are \$22,318,114 in fiscal year 2012 (\$20,346,808 to TPWD and \$1,971,306 to DMV) and \$22,032,994 in fiscal year 2013 and each year thereafter (\$19,576,975 to TPWD and \$2,456,019 to DMV).

Local Government Impact

This analysis assumes the DMV would use county tax offices as the “point of sale” for registration, titling, and corresponding boat and boat motor sales tax. Under current law, TPWD retains 100 percent of registration and titling fees and 5 percent of sales tax if the transaction is handled in at TPWD headquarters or in a TPWD field office. In this analysis, counties would retain 10 percent of registration and titling fees formerly retained by TPWD (\$1,753,737) as well as the 5 percent sales tax (\$2,061,080) for an annual revenue gain of \$3,814,817 per fiscal year.

Source Agencies: 304 Comptroller of Public Accounts, 608 Department of Motor Vehicles, 802 Parks and Wildlife Department

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