LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 25, 2017

TO: Honorable Phil King, Chair, House Committee on Homeland Security & Public Safety

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2068** by Phillips (Relating to the repeal of the driver responsibility program and the amount and allocation of state traffic fine funds; authorizing and increasing criminal fines.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2068, Committee Report 1st House, Substituted: a positive impact of $11,730,812 through the biennium ending August 31, 2019.

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
2018	$5,865,406
2019	$5,865,406
2020	$5,865,406
2021	$5,865,406
2022	$5,865,406

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue-Vendor Compensation*	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *Trauma Facility And Ems* 5111
2018	$13,977,993	($11,433,587)	$3,321,000	$60,922,000
2019	$13,977,993	($11,433,587)	$3,321,000	$60,922,000
2020	$13,977,993	($11,433,587)	$3,321,000	$60,922,000
2021	$13,977,993	($11,433,587)	$3,321,000	$60,922,000
2022	$13,977,993	($11,433,587)	$3,321,000	$60,922,000

Fiscal Year	Probable Revenue Gain from *Local Governments*	Change in Number of State Employees from FY 2017
2018	$8,037,000	(43.0)
2019	$8,037,000	(43.0)
2020	$8,037,000	(43.0)
2021	$8,037,000	(43.0)
2022	$8,037,000	(43.0)

Fiscal Analysis

The bill would repeal the Driver Responsibility Program (DRP), which was established by Transportation Code, Chapter 708, and the surcharges assessed on drivers convicted of certain driving offenses. The bill would forgive surcharges assessed prior to the effective date of the repeal, including any unpaid surcharges or penalties assessed in prior years. Based on current law, 50.5 percent of DRP surcharges are deposited to the General Revenue Fund and the remaining 49.5 percent are deposited to the General Revenue-Dedicated Designated Trauma Facility and EMS Account No. 5111 (Account 5111). The 50.5 percent allocation to the General Revenue Fund includes the 1 percent allocation of DRP surcharges deposited to the General Revenue Fund that may be appropriated to the Texas Department of Public Safety (DPS) to administer the DRP.

The bill would establish, in addition to the fine prescribed for the specific offense, a fine of $3,000 for the first conviction of certain intoxicated driver offenses; $4,500 for a second conviction in a 36 month period; and $6,000 if the person's blood, breath, or urine show an alcohol concentration over a certain amount. These amounts are equal to three times the amount of the surcharge assessment for the same offense under DRP.

The new fines would be assessed once, rather than each year for a three-year period under DRP. The bill would continue provisions in Transportation Code, Chapter 708, which reduce the fine for driving without insurance by 50 percent should the affected driver meet certain conditions. The new fines would be collected by local governments and remitted to the Comptroller of Public Accounts (CPA) on a quarterly basis. The bill authorizes local governments to retain a service fee equal to 4 percent of collections as well as interest accrued if the funds are remitted within the prescribed period. All funds remitted to the CPA would be deposited as follows: 45 percent to the General Revenue Fund and 55 percent to Account 5111.

The bill would increase the state traffic fine from $30 to $60, reduce the amount retained by local governments that collect the fine as a service fee, and change the allocation of the state traffic fine between Account 5111 and the General Revenue Fund. Based on current law, a person when convicted of a traffic offense is assessed a $30 state traffic fine which is collected by a county or municipality and remitted to the CPA, after the local government retains a 5 percent service fee. The remaining revenue is allocated to Account 5111 (33 percent) and the General Revenue Fund (67 percent). The bill would decrease the service fee that may be retained by local governments from 5 to 4 percent, and change the allocation of state traffic fine receipts to Account 5111 from 33 to 55 percent and to the General Revenue Fund from 67 to 45 percent.

The bill would amend the Transportation and Health and Safety Code to make conforming changes to language which reference the allocation of DRP surcharge and state traffic fine revenue to the Texas Mobility Fund (TMF) No. 365 that would occur if combined deposits to the General Revenue Fund from these sources in a fiscal year reach $250 million.

This bill would do one or more of the following: create or recreate a dedicated account in the

General Revenue Fund, create or recreate a special or trust fund either in, with, or outside of the Treasury, or create a dedicated revenue source. The fund, account or revenue dedication included in this bill would be subject to funds consolidation review by the 85th Legislature.

The bill would take effect on September 1, 2017.

Methodology

Estimated revenue impacts shown in the table above were provided by the CPA and derived from the Biennial Revenue Estimate for the 2018-19 Biennium and information provided by DPS. The aggregate impact of the bill's provisions affecting revenue for the 2018-19 biennium is a gain of $121.8 million to Account No. 5111, and a revenue gain of $6.6 million to the General Revenue Fund.

The fiscal effect of the repeal of DRP and the surcharges it levies are revenue losses of $147.9 million to Account 5111 and $150.9 million to the General Revenue Fund for the 2018-19 biennium. These revenue losses would be offset by two revenue sources: an increase in the state traffic fine from $30 to $60; and fines for convictions of driving while intoxicated (DWI) and driving without financial responsibility, i.e., no insurance. The doubling of the state traffic fine, assuming no change in collection rate, and the adjustment of the allocation of the revenue derived from that fine between the General Revenue Fund and Account No. 5111 would result in a gain of $123 million to Account No. 5111 and a gain of $38 million to the General Revenue Fund in the 2018-19 biennium.

Based on information provided by DPS, there were approximately 82,000 new DWI related cases and 444,000 new driving with no insurance cases in fiscal year 2016 that incurred DRP surcharges. According to CPA, the fiscal impact estimate for this provision is based on this information as well as historical collection rates for DWI and driving with no insurance surcharges as adjusted to reflect the higher fines. The new traffic fines and their proposed allocation would result in a gain of approximately $146.4 million to Account No. 5111 and $119.8 million to the General Revenue Fund in the 2018-19 biennium.

The table above also reflects the savings associated with the cost of administering DRP. Such costs would no longer be incurred if the DRP were eliminated. The total cost of administering DRP is an estimated $14.0 million per year or $28.0 million each biennium, including DPS program staff and operating costs ($2.5 million each fiscal year and 43 full-time equivalent positions), and compensation to the vendor that, among other things, collects the surcharges (an estimated $11.4 million each fiscal year). Vendor compensation is provided by service fees paid by those that owe DRP surcharges. As a result, there would be a corresponding decline in fee revenue related to vendor compensation.

According to the Texas Department of Transportation, this bill would have no fiscal impact on the potential for diversion of DRP and state traffic fine revenue from the General Revenue Fund to the TMF No. 365, as the conditions required for that allocation have never been met.

DPS has indicated that there may be programming costs associated with the elimination of existing surcharge assessments. It is assumed that these costs would either be absorbed by existing agency resources or reduce the cost savings listed in the table above.

Technology

DPS has indicated that there may be programming costs associated with the elimination of existing surcharge assessments.

Local Government Impact

Based on the increase in the state traffic fine, assuming no change in compliance rates, and the new 4 percent service for collecting the new fines for DWI related offenses and driving with no insurance, the CPA estimates that local government revenue would increase on an annual basis by approximately $8 million. Revenue from doubling the state traffic fine from $30 to $60 is expected to more than offset any loss associated with reducing the service fee from 5 to 4 percent.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 405 Department of Public Safety, 537 State Health Services, Department of, 601 Department of Transportation, 304 Comptroller of Public Accounts

LBB Staff: UP, FR, JJ, ZS