LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 10, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2068, As Introduced: a negative impact of ($66,883,188) 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	($33,441,594)
2019	($33,441,594)
2020	($33,441,594)
2021	($33,441,594)
2022	($33,441,594)

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)	($35,986,000)	$68,508,000
2019	$13,977,993	($11,433,587)	($35,986,000)	$68,508,000
2020	$13,977,993	($11,433,587)	($35,986,000)	$68,508,000
2021	$13,977,993	($11,433,587)	($35,986,000)	$68,508,000
2022	$13,977,993	($11,433,587)	($35,986,000)	$68,508,000

Fiscal Year	Change in Number of State Employees from FY 2017
2018	(43.0)
2019	(43.0)
2020	(43.0)
2021	(43.0)
2022	(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.

Those convicted of driving while intoxicated (DWIs) and driving without insurance during the 36-month period preceding the bill's effective date would be assessed fines in the same amounts and for the same time period (annually for 3 years) as the previously authorized DRP surcharges for these offenses. 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 acquire vehicle liability insurance within 60 days of the offense and the policy 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 2.5 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 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 2.5 percent, and change the allocation of state traffic fine receipts to Account 5111 from 33 to 41.5 percent and to the General Revenue Fund from 67 to 58.5 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. According to the CPA, the aggregate impact of the bill's provisions affecting revenue for the 2018-19 biennium is a gain of $137.0 million to Account 5111, and a revenue loss of $72.0 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. According to the CPA, the DWI and no insurance fines would generate approximately $103.0 million each fiscal year, which is the same amount that DPS indicates was collected in DRP surcharges for the same offenses in fiscal year 2016. Assuming no change in the collection rate, the CPA reports that a doubling of the state traffic fine would result in a revenue gain to $79.0 million to be distributed to Account No. 5111 and 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. According to DPS, 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. Therefore, 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. For purposes of this analysis, 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

It is assumed that the revenue increase from doubling the state traffic fine would offset any decrease in service fees retained by local governments due to reducing the amount retained from 5 to 2.5 percent of collections. Local governments might also see an increase in workload associated with the collection of DWI and no insurance fines. However, there would be a new revenue source - the 2.5 percent service - to offset any expense associated with this new workload. Based on the CPA estimate of DWI and no insurance fines, statewide, these fines would generate an estimated $2.6 million in service fees for local governments.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304

Comptroller of Public Accounts, 405 Department of Public Safety, 537 State Health Services, Department of, 601 Department of Transportation

LBB Staff: UP, FR, JJ, ZS