

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 23, 2017

TO: Honorable John Kuempel, Chair, House Committee on Licensing & Administrative Procedures

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3404 by Kuempel (Relating to the regulation and sale of certain trailers, including cargo and livestock trailers, and cargo and livestock trailers with living quarters.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3404, As Introduced: a positive impact of \$6,612,305 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	\$6,514,585
2019	\$97,720
2020	\$99,190
2021	\$100,670
2022	\$102,180

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Texas Emissions Reduction Plan 5071	Probable Revenue Gain/(Loss) from State Highway Fund 6	Probable Revenue Gain/(Loss) from Tx Dept of Motor Vehicles Fnd 10
2018	\$6,514,585	\$26,058,340	(\$26,058,340)	\$4,877,961
2019	\$97,720	\$390,880	(\$390,880)	\$73,170
2020	\$99,190	\$0	\$0	\$74,272
2021	\$100,670	\$0	\$0	\$75,378
2022	\$102,180	\$0	\$0	\$76,510

Fiscal Year	Probable Savings/(Cost) from Tx Dept of Motor Vehicles Fnd 10	Probable Revenue Gain/(Loss) from Texas Mobility Fund 365	Probable Revenue Gain/(Loss) from Counties
2018	(\$2,442,408)	\$26,058,340	\$6,514,585
2019	\$0	\$390,880	\$97,720
2020	\$0	\$396,760	\$99,190
2021	\$0	\$402,680	\$100,670
2022	\$0	\$408,720	\$102,180

Fiscal Analysis

The bill would amend Chapter 2301 of the Occupations Code to add Subchapter S relating to manufacturers, distributors, and dealers of certain cargo or livestock trailers.

The bill would amend the definition of "motor vehicle" in Transportation Code §501.002 to include a trailer or semitrailer or semitrailer that a has gross vehicle weight of 4,000 pounds or less. The bill would amend §501.004, regarding applicability under Chapter 501 (Certificate of Title Act), to eliminate the exemption for farm trailers under Chapter 501.

The bill would take effect on September 1, 2017.

Methodology

Based on LBB's analysis of the information provided by the Texas Department of Motor Vehicles (TxDMV), it is assumed a dealer, manufacturer, or distributor under proposed Subchapter S would not be subject to the licensing requirements under Chapter 2301 of the Occupations Code. Therefore, no significant fiscal implications to the State are anticipated to result from the implementation of proposed Subchapter S.

The bill would amend Chapter 501 of the Transportation Code to require the titling of semitrailers with a gross vehicle weigh of 4,000 pounds or less and farm trailers, which are currently exempt from Chapter 501. A farm semitrailer would still be exempt from Chapter 501.

TxDMV estimates one-time technology costs for programming changes related to the new titling requirements. Based on LBB's analysis of the information provided by TxDMV, it is assumed these costs could be absorbed within the agency's existing resources.

TxDMV estimates that 1.3 million trailers would be required to obtain a title for the first time in fiscal year 2018; 19,544 new trailers would be titled in fiscal year 2019; and the number new trailers to be titled would grow at a rate of 1.5 percent in subsequent fiscal years. For the purposes of this analysis, it is assumed all titles would be issued at the \$33 application fee for counties located within a nonattainment area as defined by the federal Clean Air Act. The fee is allocated as follows: \$5 to the General Revenue Fund; \$3 to the Texas Department of Motor Vehicles Fund 10 (TxDMV Fund); \$20 to the Texas Mobility Fund (TMF) 365; and \$5 to the counties for deposit in the officers' salary fund. Based on the analysis of TxDMV, the increase in title applications would result in a total revenue gain of approximately \$43.0 million to the State and the counties in fiscal year 2018: \$6.5 million to the General Revenue Fund; \$3.9 million to the TxDMV Fund; \$26.1 million to the TMF; and \$6.5 million to the counties. Total revenue gains for new title applications in fiscal year 2019 are estimated to be \$0.6 million, allocated to the State and the counties as described above, with the number of title applications and revenues increasing by 1.5 percent each fiscal year thereafter. Pursuant to Transportation Code §501.138 (b-2), TxDOT is required to

remit to the Comptroller for deposit to the Texas Emissions Reduction Plan (TERP) Account 5071 an amount of money from the State Highway Fund 6 (SHF) equal to the amount of title fees deposited to the TMF. This requirement is set to expire August 31, 2019 (fiscal year 2019). The table above reflects a gain to the TERP Account 5071 and loss to the SHF in amounts equal to the gain to the TMF for fiscal years 2018 and 2019.

TxDMV also estimates that 484,605 trailers do not have a vehicle identification number (VIN), which is required for a title, and will apply to TxDMV for a VIN assignment in fiscal year 2018; and 7,269 new trailers would require a VIN assignment in fiscal 2019. TxDMV assumes the number of new trailers requiring a VIN assignment would increase by 1.5 percent each fiscal year thereafter. The fee for a VIN assignment application is \$2, which is to be deposited to the TxDMV Fund. Revenue gains to the TxDMV Fund from VIN assignment fees are estimated to be \$969,210 in fiscal year 2018 for current trailers and \$14,538 in fiscal year 2019 for new trailers, with the number of new trailers and associated VIN assignment fee revenue increasing by 1.5 percent each fiscal year thereafter.

TxDMV assumes the agency would need to hire contractor employees to process 484,605 VIN assignment applications in fiscal year 2018 for an estimated 101,767 contract labor hours at a rate of \$24 per hour resulting in a cost of \$2,442,408 to the TxDMV Fund. Based on LBB's analysis of information provided by TxDMV, it is assumed the agency could process applications using existing resources in following fiscal years. TxDMV indicates that each VIN assignment application would require a VIN inspection conducted by local officials, including automobile theft investigators with the expertise to perform these inspections. TxDMV estimates the costs to local governments would be approximately \$9.3 million, assuming 242,303 hours of labor at average wage of \$38.28 per hour.

Local Government Impact

TxDMV estimates a revenue gain of \$6.9 million to the counties from title application fees over the five-year period from fiscal year 2018 to 2022. TxDMV estimates costs of approximately \$9.3 million to perform VIN inspections on trailers applying for a title for the first time in fiscal year 2018.

Source Agencies: 608 Department of Motor Vehicles

LBB Staff: UP, CL, EH, TG