

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 5, 2017

TO: Honorable Robert Nichols, Chair, Senate Committee on Transportation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1371 by Menéndez (Relating to the issuance of specialty license plates to honor recipients of the Commendation Medal, Commendation Medal with Valor, and Military Outstanding Volunteer Service Medal.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1371, As Introduced: an impact of \$0 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	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Tx Dept of Motor Vehicles</i> <i>Fnd</i> 10	Probable Revenue (Loss) from <i>Counties</i>
2018	(\$14,842,170)	(\$738,942)	(\$4,475,875)
2019	(\$15,064,804)	(\$750,026)	(\$4,543,013)
2020	(\$15,290,779)	(\$761,276)	(\$4,611,160)
2021	(\$15,520,779)	(\$772,693)	(\$4,680,314)
2022	(\$15,752,910)	(\$784,284)	(\$4,750,522)

Fiscal Analysis

The bill would amend Transportation Code §504.315 to require the Texas Department of Motor

Vehicles to issue specialty license plates for recipients of the Commendation Medal and Commendation Medal with Valor for each military branch and for joint service and recipients of the Military Outstanding Volunteer Service Medal. The bill would repeal Transportation Code §504.320, as added by enactment of House Bill 127, Eighty-fourth Legislature, 2015, relating to the issuance of Commendation Medal specialty license plates.

The bill would take effect on September 1, 2017.

Methodology

Transportation Code §504.3015 authorizes the issuance of one set of license plates established under §504.315 without payment of vehicle registration fees under Chapter 502. The bill would add the existing Commendation Medal plates to §504.315 and create five new Commendation Medal with Valor plates, and a new Military Outstanding Volunteer Service Medal specialty plate within §504.315. The Texas Department of Motor Vehicles (TxDMV) estimates a significant number of plate applicants due to the waived vehicle registration fees. Based on the information and analysis below, it is assumed approximately 301,609 eligible applicants would register vehicles with the new specialty plate without payment of the regular registration fees beginning in fiscal year 2018, resulting revenue losses of \$14.8 million to the State Highway Fund 6 (SHF), \$0.7 million to the Texas Department of Motor Vehicles Fund 10 (TxDMV Fund), and \$4.5 million to the counties. This analysis assumes the number of vehicle registrations and revenue losses would increase by 1.5 percent each fiscal year thereafter.

Based on the Army having awarded 1.4 million Commendation Medals and 86,000 Commendation with Valor Medals to date and the ratios of veterans for all branches of service from the Veterans Administration, TxDMV estimates that 3.0 million Commendation Medals and 190,000 Commendation with Valor Medals have been awarded to date nationally to all branches of the military. Of these, TxDMV estimates 13 percent are Texans. Based on TxDMV's assumption that 50 percent of those eligible would apply for this plate in the first year and applying a 1.5 percent annual growth rate, it is estimated that 200,894 Commendation Medal recipients and 12,878 Commendation Medal with Valor recipients are expected to apply for a new plate under the bill's provisions.

To estimate the number of Texas residents who have received the Military Outstanding Volunteer Service Medal, TxDMV compared the rate of civilian volunteerism measured in 2015 by the U.S. Department of Labor Bureau of Labor Statistics and found 25 percent of Americans volunteer through or for an organization at least once in one year. For the purposes of this analysis, it is assumed 20 percent of volunteers would be awarded the medal. Using that information and applying a 1.5 percent annual growth rate, TxDMV estimates that 87,837 of Texas' nearly 1.7 million veterans would be eligible and apply for the specialty plate in FY 2018.

The average passenger vehicle and light truck registration fee is \$50.75 per year. Revenue from the registration fee is split between the state (95 percent to the SHF) and local government (5 percent to the counties). For the purposes of this analysis, it is assumed all specialty plate applications would be for passenger vehicles or light trucks, and an annual growth rate of 1.5 percent is applied to estimate the number of new plate applications each fiscal year. TxDMV registration processing and handling fees vary depending on how the transaction is processed. For this analysis, TxDMV assumes all processing and handling fees are from walk-in/mail-in transactions which are charged a \$4.75 processing and handling fee that is split between the state (\$2.45) and the counties (\$2.30). The state share is deposited to the TxDMV Fund (Fund 0010). For this analysis, it is assumed that the entire \$1.00 Department of Public Safety - Vehicle Financial Responsibility fee collected will be deposited to the SHF.

Counties would experience a revenue loss from optional local fees which vary by county. For this analysis, TxDMV assumes the county Road and Bridge fee is \$10 per vehicle registration.

Based on LBB's analysis of information provided by TxDMV, it is assumed any costs or duties associated with implementing the provisions of the bill could be absorbed within the agency's current resources.

Local Government Impact

Counties would experience a loss of registration fee revenue. Revenue losses would vary by county depending on the number of vehicles registered with the specialty plate without payment of regular vehicle registration fees and optional county fees as applicable.

Source Agencies: 601 Department of Transportation, 608 Department of Motor Vehicles

LBB Staff: UP, AG, EH, TG, LBO