

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 27, 2017

TO: Honorable Craig Estes, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1588 by Huffines (relating to the elimination of regular mandatory vehicle safety inspections and the imposition of replacement fees.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1588, Committee Report 1st House, Substituted: 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 (Cost) from Clean Air Account 151	Probable Revenue Gain/(Loss) from Clean Air Account 151	Probable Revenue Gain from Texas Emissions Reduction Plan 5071	Probable Revenue Gain from State Highway Fund 6
2018	(\$800,000)	(\$2,737,000)	\$0	\$1,909,000
2019	\$0	(\$4,167,000)	\$0	\$2,908,000
2020	\$0	(\$4,188,000)	\$7,016,000	\$2,922,000
2021	\$0	(\$4,209,000)	\$7,016,000	\$2,937,000
2022	\$0	(\$4,230,000)	\$7,016,000	\$2,951,000

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Texas Mobility Fund</i> 365
2018	\$5,568,000
2019	\$8,605,000
2020	\$8,777,000
2021	\$8,952,000
2022	\$9,131,000

Fiscal Analysis

The bill would amend Texas Health and Safety Code and Texas Transportation Code to eliminate the mandatory annual vehicle safety inspection program.

The bill would amend Texas Health and Safety Code, Section 382.0622(a) to remove the requirement that \$2 of the inspection fee for noncommercial vehicles other than mopeds be deposited to the General Revenue-Dedicated Clean Air Account No. 151 (Account 151).

The bill would amend Texas Health and Safety Code, Section 382.203(c) to exempt vehicles that the Department of Public Safety (DPS) can verify are driven an average of fewer than 5,000 miles each year from certain inspection and maintenance requirements.

The bill would amend Texas Health and Safety Code, Section 386.251(c) to remove the reference to the \$10 fee currently assessed on all inspections of commercial vehicles from the list of fee sources providing revenue to the General Revenue-Dedicated Texas Emissions Reduction Plan Account No. 5071 (TERP).

The bill would amend Texas Transportation Code by adding Section 502.360 requiring the Texas Department of Motor Vehicles (TxDMV) or the county tax assessor-collector, if applicable, to assess an annual fee of \$9.25 for a new noncommercial vehicle; \$5.50 for all other noncommercial vehicles; and \$20 for a commercial motor vehicle that is registered or renewed. The fee of \$9.25 for new noncommercial vehicles would be deposited to the credit of the State Highway Fund (SHF). Of the fee of \$5.50 for all other noncommercial vehicles, \$1.85 would be deposited to the credit of Account 151; \$0.15 would be deposited to the SHF to be used only for safety initiatives; the remainder of \$3.50 would be deposited to the Texas Mobility Fund (TMF). Of the \$20 fee for commercial vehicles, \$10 would be deposited to the credit of the TMF, and \$10 would be deposited to the TERP Fund. The bill would add Section 502.361 instructing the TxDMV or the county tax assessor-collector that registers a motor vehicle subject to an emissions related inspection fee to collect the fee at the time of registration, and to remit the fee to the comptroller.

The bill would amend Texas Transportation Code, Section 547.601 to remove safety inspection related requirements for seat belts, and Texas Transportation Code, Section 548.001(10) to remove safety inspection related requirements for vehicle inspection reports. The bill would amend Texas Transportation Code, Section 548.005 to allow DPS to authorize a certificate of inspection and approval made by a federally qualified inspector acting as an employee of authorized agent of the owner of a commercial fleet and to a commercial motor vehicle part of that fleet and registered in the state of Texas. The bill would amend Texas Transportation Code, Section 548.006(b) to remove the requirement that two of the four persons on the advisory committee representing inspection station owners and operators be from counties conducting vehicle emissions testing, and two be from counties only conducting safety inspections.

The bill would redesignate Texas Transportation Code, Section 548.052, concerning vehicles not

subject to inspection, as Section 547.6011 and amend the heading to refer to vehicles not required to be equipped with safety belts. The bill would redesignate Texas Transportation Code, Section 548.053, as Section 548.255, and would remove the requirement that a vehicle that is inspected and subsequently involved in an accident must be reinspected following repair. The bill would redesignate Texas Transportation Code, Section 548.105 as Section 548.2521.

The bill would amend Texas Transportation Code, Section 548.201 to remove the requirement for DPS to implement a commercial vehicle safety inspection program unless such a program is necessary to comply with federal motor carrier safety regulations.

The bill would amend Texas Transportation Code by adding Section 548.257 to require that if a vehicle is required to be inspected for emissions, the vehicle must pass the required inspection not earlier than 90 days before the vehicle registration expiration date, or, if the vehicle is a used motor vehicle sold by a dealer, in the 180 days preceding the date the dealer sells the vehicle. These requirements, currently found in Texas Transportation Code, Section 548.101, were repealed by the bill.

The bill would amend Texas Transportation Code, Section 548.505 to allow DPS to impose an emissions inspection fee in addition to the emissions inspection fees adopted by TCEQ, established in Texas Health and Safety Code, Section 382.202. The bill would remove language allowing DPS to provide a maximum fee for an inspection, and language prohibiting DPS from setting a minimum fee for an inspection.

The bill would amend Texas Transportation Code, Section 548.603(a) to remove an offense relating to a person seeking an inspection of a vehicle at an uncertified station with the intent to circumvent the emission inspection requirements. The bill would amend Texas Transportation Code, Section 548.604(a) to remove an offense relating to a person operating or moving certain vehicles in a mechanical condition that endangers a person or property. The bill would only apply to offenses committed on or after the effective date of the bill.

The bill would repeal the heading to Texas Transportation Code, Chapter 548, Subchapter B, Vehicles and Equipment Subject to Inspection and Reinspection, as well as Section 548.051, a list of various vehicles and equipment subject to inspection. The bill would repeal the heading to Texas Transportation Code, Chapter 548, Subchapter C, Periods of Inspection; Prerequisites to Issuance of Passing Vehicle Inspection Report, as well as Section 548.101, which requires a general annual inspection; Section 548.102, which requires an initial two-year inspection for a new vehicle; Section 548.103, which allows DPS to extend the time frame in which a resident owner of a vehicle is required to obtain a vehicle inspection report; and Section 548.104, which relates to equipment-related prerequisites necessary for a passing vehicle inspection report.

The bill would repeal Texas Transportation Code, Section 548.501, which requires that the fee for inspection of a noncommercial motor vehicle other than a moped be set at \$12.50, and of this amount, \$5.50 is remitted to the state; Section 548.502, which requires that any political subdivision of state agency for which DPS certifies an inspection station to pay a fee of \$5.50 for each inspection to the state, and may not be required to pay the remainder of the inspection fee; Section 548.503, which requires that the initial two-year inspection fee for a new noncommercial passenger car or light truck may not be less than \$21.75, and of this amount, \$14.75 is remitted to the state; and Section 548.504, which establishes a fee of \$50 for inspections under the commercial vehicle safety inspection, out of which \$10 is remitted to the state. The bill would repeal Texas Transportation Code, Section 548.5055, which requires DPS to collect a fee of \$10 for every commercial motor vehicle inspection, to be deposited by the comptroller to the TERP Fund. This section was set to expire under current law August 31, 2019. The bill would repeal

Texas Transportation Code, Section 548.508, which instructs that, with certain exceptions, all fees remitted to the comptroller are to be deposited to the credit of the TMF, and Section 548.509, which instructs TxDMV or the county assessor-collector that registers a motor vehicle subject to an inspection fee to collect the inspection fee at the time of registration.

The bill would require DPS to submit to the lieutenant governor and the speaker of the house of representatives a report on the changes in the agency's expenses and income that result from implementing the provisions of the bill, including any change in the number of FTEs needed to administer Texas Transportation Code, Chapters 547 and 548 between September 1, 2017 and the date the report is prepared. This report would be required to be submitted no later than January 1, 2019.

The bill would take effect January 1, 2018.

Note: TxDMV estimates that the cost of process changes and database structure changes required in order to collect and store a new commercial vehicle indicator at the time of registration by the effective date of the bill would cost \$940,625 in fiscal year 2017, to be supported by the Texas Department of Motor Vehicles Fund 10.

Note: The bill would reduce, rescind, or repeal the dedication of a specific source or portion of revenue dedicated to the Texas Mobility Fund. Article 3, Section 49-k, of the Texas Constitution, specifies that while money in the Texas Mobility Fund is pledged for the payment of any outstanding debt obligations, the Legislature may not reduce, rescind, or repeal the dedication of a specific source or portion of revenue dedicated to the Texas Mobility Fund unless the Legislature by law dedicates a substitute or different source of revenue that is projected by the Comptroller to be of a value equal to or greater than the source or amount being reduced, rescinded, or repealed.

Methodology

This analysis assumes 24,810,000 vehicles would pay the fees required by new Section 502.360 and 502.361 for fiscal 2018. Based on information provided by the Comptroller, Fiscal 2018 amounts were adjusted based on the effective date of the bill.

The bill would repeal Texas Transportation Code, Section 548.5055, which requires a \$10 fee for every commercial motor vehicle inspection to be deposited to the TERP Fund. The collection of this fee was set to expire under current law on August 31, 2019. This fee is re-designated in the bill with no expiration date; however, the authorization for the TERP Fund itself is set to expire August 31, 2019 under current law. The Comptroller estimates that extending the \$10 fee for commercial vehicle registration will have no net effect in fiscal years 2018 and 2019 and that there would be a revenue gain of \$7,016,000 to the TERP Fund in fiscal year 2020 and in future fiscal years.

The bill would repeal Texas Transportation Code, Section 548.501, which set an inspection fee of \$5.50 for noncommercial motor vehicles, of which \$3.50 is deposited to the TMF and \$2 is deposited to Account 151; Section 548.503, which sets a two-year inspection fee of \$14.75 for new noncommercial motor vehicles, of which \$12.75 is deposited to the TMF and \$2 is deposited to Account 151; and Section 548.504, which sets an inspection fee of \$10 for commercial motor vehicles, to be deposited to the TMF. Under the bill's new Section 503.360, the annual \$9.25 noncommercial new motor vehicle registration fee, \$3.50 of the annual fee assessed for other noncommercial motor vehicle registrations, and \$10 of the annual fee assessed for commercial motor vehicle registrations, would be deposited to the credit of the TMF. The Comptroller estimates that under the provisions of the bill, the TMF will have a net revenue gain of \$5,568,000

in fiscal year 2018 and \$8,605,000 in fiscal year 2019 as a result of the provisions of the bill.

According to the Comptroller's analysis, a decrease of \$0.15 per noncommercial motor vehicle deposited to Account 151 and the repeal of Texas Transportation Code, Section 548.503 results in a reduction to revenue deposited to Account 151 of \$2,737,000 in fiscal year 2018 and \$4,167,000 in fiscal year 2019.

The Comptroller estimates that the increase of \$0.15 per noncommercial motor vehicle registration fee deposited to the SHF would result in a revenue gain to the SHF of \$1,909,000 in fiscal year 2018 and \$2,908,000 in fiscal year 2019.

TCEQ estimates that the required updates to the vehicle emissions inspection analyzer software that would be necessary in order to eliminate the safety inspection items from the inspection sequence would be approximately \$800,000 in fiscal year 2018, to be supported by Account 151. This cost is in addition to the reduction to Account 151 described above.

Technology

TCEQ estimates that the required updates to the vehicle emissions inspection analyzer software that would be necessary in order to eliminate the safety inspection items from the inspection sequence would be approximately \$800,000 in fiscal year 2018, to be supported by Account 151.

Note: TxDMV estimates that the cost of process changes and database structure changes required in order to collect and store a new commercial vehicle indicator at the time of registration would cost \$940,625 in fiscal year 2017 from the Texas Department of Motor Vehicles Fund 10. TxDMV notes that in order to implement these changes on the effective date of the bill, changes would have to be added to the current in-flight RTS release 8.10 and webDEALER/webSUB projects, and would impact various other RTS batch processes and reports.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety, 582 Commission on Environmental Quality, 601 Department of Transportation, 608 Department of Motor Vehicles

LBB Staff: UP, SZ, MW, MSO