

LEGISLATIVE BUDGET BOARD
Austin, Texas

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Revision 1

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TO: Honorable Terry Canales, Chair, House Committee on Transportation

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: **HB1755** by Thompson, Ed (relating to assembled vehicles, including the titling and registration of those vehicles.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1755, Committee Report 1st House, Substituted: a negative impact of (\$23,490) through the biennium ending August 31, 2021. Additionally, a negative impact of \$15.4 million to other state funds is anticipated through the biennium ending August 31, 2021.

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
2020	(\$10,915)
2021	(\$12,575)
2022	(\$12,770)
2023	(\$12,960)
2024	(\$13,155)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>State Highway Fund</i> 6	Probable Revenue Gain/(Loss) from <i>Tx Dept of Motor Vehicles Fnd</i> 10	Probable Revenue Gain/(Loss) from <i>Texas Mobility Fund</i> 365
2020	(\$10,915)	(\$7,164,641)	(\$416,296)	(\$43,660)
2021	(\$12,575)	(\$7,272,064)	(\$423,436)	(\$50,300)
2022	(\$12,770)	(\$7,381,159)	(\$429,793)	(\$51,080)
2023	(\$12,960)	(\$7,491,880)	(\$436,240)	(\$51,840)
2024	(\$13,155)	(\$7,604,247)	(\$442,783)	(\$52,620)

Fiscal Year	Probable Revenue Gain/(Loss) from Counties	Probable Savings/(Cost) from Clean Air Account 151
2020	(\$772,621)	(\$800,000)
2021	(\$785,702)	\$0
2022	(\$797,497)	\$0
2023	(\$809,459)	\$0
2024	(\$821,599)	\$0

Fiscal Analysis

The bill would amend the Transportation Code by adding Chapter 731 relating to "assembled vehicles" and allow for the titling and registration of such vehicles. The bill would establish the definition of an "assembled vehicle" as a vehicle that is assembled from a motor, a frame, and body and that meets other specifications established by the bill regarding the vehicle's assembly or construction. The bill would establish vehicle titling and registration requirements and procedures for eligible assembled vehicle types. The bill would require the Department of Motor Vehicles (DMV) to adopt rules required by Chapter 731 as soon as practicable after the effective date of the bill.

The bill would take effect on September 1, 2019.

Methodology

DMV reports that 1,181 assembled vehicles were titled in fiscal year 2018. Based on the information and analysis provided by DMV, it is assumed the new registration and titling requirements for eligible assembled vehicle types would result in increases in the number of applications for title and vehicle registrations and revenue gains to the state and the counties. Based on figures provided by DMV, it is assumed 300 additional assembled vehicles would be titled in fiscal year 2020 and approximately five additional titles would be issued each year thereafter. This analysis assumes a title fee of \$33.00, which would be allocated as follows: \$5.00 to the General Revenue Fund; \$20.00 to the Texas Mobility Fund (TMF); \$3.00 to the Texas Department of Motor Vehicles Fund (TxDMV Fund); and \$5.00 to the counties. Also based on the information provided by DMV, it is assumed 300 additional assembled vehicles would be registered in fiscal year 2020 with an annual base registration fee of \$50.75 (five percent of which would be retained by the counties) plus a processing and handling fee of \$4.75 (\$2.45 to the TxDMV Fund; \$2.30 to the counties), resulting in revenue gains to the State Highway Fund No. 0006 (SHF), TxDMV Fund, and the counties. This analysis assumes the number of additional assembled vehicle registrations and associated fee receipts would grow at a rate of 1.5% each year thereafter.

According to DMV, the definition of "assembled vehicle" established by the bill would preclude the titling and registration of homebuilt trailers and motorcycles, which would result in title and registration fee revenue losses to the state and counties. DMV estimates the numbers of applicable assembled trailers (gross vehicle weight of 6,000 pounds or less) and assembled motorcycles in fiscal year 2018 were 164,751 and 344, respectively. Applying DMV's estimated 1.5 percent annual growth rate, it is assumed approximately 2,478 assembled trailers 5 assembled motorcycles would be titled in fiscal year 2020 under current law. Therefore, at a title fee of \$33 (allocated to the state and counties as noted above), this analysis assumes losses of title fee revenue in the amounts of \$12,415 to the General Revenue Fund, \$49,660 to the TMF, \$7,449 to the TxDMV Fund, and \$12,415 to the counties beginning in fiscal year 2020, with losses continuing each year

thereafter at an annual growth rate of 1.5 percent. This analysis also assumes registration fee losses of \$45.00 per trailer and \$30.00 per motorcycle (five percent retained by the counties) based on figures provided by DMV. Based on the analysis provided by DMV, it is assumed the bill would result in losses of \$7.2 million to the SHF and \$358,328 to the counties beginning in fiscal year 2020. Revenue losses from the associated \$4.75 processing and handling fee are estimated to be \$410,482 to the TxDMV Fund and \$385,328 to the counties beginning in fiscal year 2020. This analysis assumes registration fee and processing and handling fee revenue losses would continue each year thereafter at an annual growth rate of 1.5 percent.

In addition, based on information provided by the Texas Commission on Environmental Quality (TCEQ), this estimate assumes TCEQ would be required to modify vehicle emissions analyzer software to align the safety inspection sequence to the items of inspection as provided in the bill for an estimated one-time cost of \$800,000 in fiscal year 2020.

Based on the information provided by DMV, it is assumed any costs associated with implementing the provisions of the bill by the effective date of September 1, 2019, would be absorbed within the agency's existing resources.

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.

Technology

DMV and TCEQ anticipates one-time information technology programming costs for implementation of the bill.

Local Government Impact

Based on the information and analysis provided by DMV, the table above reflects an estimated net revenue loss from title fees and the base vehicle registration fees. The table above does not include the estimated impact to optional fees assessed by counties on vehicle registrations (e.g., optional road and bridge fee, child safety fee, and county mobility fees). Additional negative revenue impacts related to the optional fees would be incurred by counties depending on the fees and rates adopted by each county.

Source Agencies: 582 Commission on Environmental Quality, 608 Department of Motor Vehicles

LBB Staff: WP, JGAn, SGr, TG, LBO, SD, GDz