

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 18, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB718 by Goldman (Relating to the issuance of certain tags, permits, and license plates authorizing the movement of vehicles.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB718, As Engrossed : an impact of \$0 through the biennium ending August 31, 2025.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from State Highway Fund 6</i>	<i>Probable Revenue Gain/(Loss) from Tx Dept of Motor Vehicles Fnd 10</i>	<i>Probable Savings/(Cost) from Tx Dept of Motor Vehicles Fnd 10</i>	<i>Probable Revenue Gain/(Loss) from Counties</i>
2024	\$0	\$0	(\$24,370,810)	\$0
2025	(\$14,202,000)	(\$672,000)	(\$8,757,390)	(\$1,002,000)
2026	(\$28,831,000)	(\$1,364,000)	(\$8,474,790)	(\$2,034,000)
2027	(\$29,263,000)	(\$1,385,000)	(\$8,474,790)	(\$2,064,000)
2028	(\$29,702,000)	(\$1,405,000)	(\$8,607,790)	(\$2,095,000)

<i>Fiscal Year</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	38.0
2025	42.0
2026	42.0
2027	42.0
2028	42.0

Fiscal Analysis

The bill would amend Transportation Code, Chapters 502 and 503, to repeal provisions regarding the issuance of dealer's, converter's, and buyer's temporary paper tags and certain temporary permits issued in lieu of registration of a vehicle. The bill would amend Transportation Code, Chapter 503, to require a motor vehicle dealer to issue metal license plates obtained from the Texas Department of Motor Vehicles (TxDMV) for vehicles sold by the dealer and eliminate the issuance of temporary paper buyer's tags. The bill would require TxDMV to ensure that a dealer may obtain in advance a sufficient amount of license plates to continue selling vehicles without an unreasonable disruption of business due to the unavailability of license plates. The bill would require TxDMV to establish rules to set the maximum number of license plates that a dealer may obtain and to monitor the number of license plates obtained by the dealer.

The bill would require TxDMV, not later than March 1, 2024, to adopt rules to implement the changes in law provided by this legislation and create a dealer-issued license plate database. This provision would take effect on September 1, 2023.

Except as otherwise specified, the bill would take effect on March 1, 2025.

Methodology

The bill would repeal Transportation Code, Sections 502.094 and 502.095, relating to the issuance of one-trip, 30-day, 72-hour, and 144-hour temporary permits beginning on March 1, 2025. The permit fees are \$5.00 for one-trip permits; \$25.00 for 30-day and 72-hour permits; and \$50.00 for 144-hour permits. TxDMV estimates, in fiscal year 2023, 871,269 temporary permits will be issued in fiscal 2023. Of the total: 50,553 will be one-trip permits; 416,301 will be 30-day permits; 132,382 will be 72-hour permits; and 272,033 will be 144-hour permits. TxDMV assumes an annual growth rate of 1.5 percent in subsequent fiscal years for each permit type. Revenue from the base permit fee for each of the four types is deposited to State Highway Fund 0006, or if purchased at a county office, allocated between State Highway Fund 0006 and Fund 0057 – County Road and Bridge Fund of the issuing county. However, assuming the maximum allocation for vehicle registration revenue to Fund 0057 will be met, this analysis assumes 100 percent of the temporary permit fees would be deposited to State Highway Fund No. 006. Additionally, a processing and handling (P&H) fee of \$4.75 is currently assessed for the issuance of a temporary permit. The fee is retained by the permit issuing entity (either TxDMV or the counties). Based on the information and analysis provided by TxDMV and the Comptroller of Public Accounts, it is assumed elimination of these temporary permits on March 1, 2025, would result in revenue losses beginning in fiscal year 2025 to State Highway Fund 0006, Texas Department of Motor Vehicles Fund 0010, and to the counties in the estimated amounts shown in the table above.

Based on the information and analysis provided by TxDMV, it is assumed the department would incur a one-time increase in general issue license plate manufacturing costs of \$4,238,000 in fiscal year 2024 (1.3 million plates at \$3.26 per plate) and \$247,000 for shipping costs (\$0.19 per plate) in fiscal year 2025 to ensure a sufficient amount of plates would be available to motor vehicle dealers by the effective date of March 1, 2025; and a one-time increase in metal Dealer license plate manufacturing costs of \$234,900 (135,000 plates at \$1.74 per plate). Afterwards, the department anticipates its standard operations for license plate manufacturing would be sufficient to maintain the necessary license plate inventory for the counties and motor vehicle dealers.

Based on the information provided by TxDMV, it is assumed the creation of a dealer-issued license plate inventory management system would be required to ensure appropriate controls over the distribution and monitoring of license plates obtained by motor vehicle dealers. Based on the TxDMV's known costs of similar systems, the department estimates one-time system implementation costs of \$15.0 million in fiscal year 2024 and ongoing annual maintenance costs of \$5.0 million in each fiscal year thereafter. Based on the analysis provided by TxDMV, it is assumed the department would require 5.0 additional full-time equivalent (FTE) positions in fiscal year 2024 to support system development, architecture, data management, quality assurance and testing (2.0 Programmer III at \$72,789 annual salary for each; 1.0 Programmer V at \$77,862 annual salary; 1.0 Database Administrator III at \$77,862 annual salary; and 1.0 Systems Analyst V at \$77,862 annual salary); and 4.0 additional FTEs beginning in fiscal year 2025 to manage user access and security (3.0 Systems Support Specialist III at \$47,388 annual salary each; 1.0 Systems Analyst IV at \$68,047 annual salary).

Based on the analysis provided by TxDMV, it is assumed the department would require 20.0 additional Compliance Analyst I FTEs (\$51,985 annual salary each), 2.0 Compliance Analyst III positions (\$68,047 annual salary each), 1.0 Compliance Analyst IV (\$77,862 annual salary), 4.0 Investigator IV positions (\$51,985 annual salary each), 1.0 Investigator VI position (\$68,047 annual salary), and 2.0 Program Specialist I positions (\$47,688 annual salary each) to support audits of inventory controls and security measures in place for license plate inventory storage at over 20,000 county tax offices and vehicle dealer locations across the state, one additional Administrative Assistant III FTE (\$37,914 annual salary) to support the additional program staff, and 27 additional fleet vehicles (\$30,000 each or \$810,000 in fiscal year 2024). Annual additional fleet maintenance costs are estimated to be \$24,000.

Estimated costs for the additional 42.0 FTE positions identified above include the following: salaries and wages costs of \$2.2 million in fiscal year 2024 (38.0 FTEs) and \$2.4 million per year in following fiscal years (42.0 FTEs); employee benefits costs of \$677,444 in fiscal year 2024 and \$741,474 each fiscal year thereafter (30.33 percent of salary cost); agency payroll contribution costs for retirement and group insurance of \$33,504 in fiscal year 2024 and \$36,670 each fiscal year thereafter (1.5 percent of salary cost); one-time office furniture and computer equipment costs of \$345,800 in fiscal year 2024 and \$36,400 in fiscal year 2025 and \$133,000 in fiscal year 2028 for replacement/refresh of computer equipment; and \$148,884 in fiscal year 2024 and \$172,956 each fiscal year thereafter for supplies, travel, training, telecommunications, and other recurring operating expenses.

This analysis assumes all costs to TxDOT would be paid from the Texas Department of Motor Vehicles Fund 0010.

Technology

TxDMV anticipates technology costs including an estimated one-time cost of \$15.0 million in fiscal year 2024 to implement an inventory management system, ongoing annual costs of \$5.0 million for maintenance of the system, computer equipment acquisition and maintenance costs related to the additional personnel.

Local Government Impact

Based on the information provided by TxDMV, it is assumed county tax assessor-collector offices would incur costs or require additional resources to implement the provisions of the bill.

Source Agencies: 300 Trusteed Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 608 Department of Motor Vehicles

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