

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 28, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB718 by Goldman (Relating to the issuance of temporary tags and license plates by a motor vehicle dealer.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB718, As Introduced : 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 Savings/(Cost) from Tx Dept of Motor Vehicles Fnd 10</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$22,179,780)	26.0
2025	(\$7,669,960)	30.0
2026	(\$7,387,360)	30.0
2027	(\$7,387,360)	30.0
2028	(\$7,387,360)	30.0

Fiscal Analysis

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

Based on the information and analysis provided by TxDMV, it is assumed the department would incur a one-time increase in 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. 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) and 20 additional fleet vehicles (\$30,000 each or \$600,000 in fiscal year 2024) 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 and one additional Administrative Assistant III FTE (\$37,914 annual salary) to support the additional program staff. Annual additional fleet maintenance costs are estimated to be \$24,000.

Estimated costs for the additional 30.0 FTE positions identified above include the following: salaries and wages costs of \$1.5 million in fiscal year 2024 (26.0 FTEs) and \$1.7 million per year in following fiscal years (30.0 FTEs); employee benefits costs of \$449,388 in fiscal year 2024 and \$513,418 each fiscal year thereafter (30.33 percent of salary cost); agency payroll contribution costs for retirement and group insurance of \$22,225 in fiscal year 2024 and \$25,392 each fiscal year thereafter (1.5 percent of salary cost); one-time office furniture and computer equipment costs of \$236,600 in fiscal year 2024 and \$36,400 in fiscal year 2025 and \$91,000 in fiscal year 2028 for replacement/refresh of computer equipment; \$102,468 in fiscal year 2024 and \$124,140 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 No. 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: 608 Department of Motor Vehicles

LBB Staff: JMc, AAL, GDZ, TG