

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 22, 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.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB718, Committee Report 2nd House, Substituted : a positive impact of \$7,917,000 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	\$7,917,000
2026	\$7,917,000
2027	\$7,917,000
2028	\$7,917,000

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</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>
2024	\$0	\$0	\$0	(\$22,776,288)
2025	\$7,917,000	\$4,263,000	\$9,744,000	(\$10,078,022)
2026	\$7,917,000	\$4,263,000	\$9,744,000	(\$8,780,722)
2027	\$7,917,000	\$4,263,000	\$9,744,000	(\$8,780,722)
2028	\$7,917,000	\$4,263,000	\$9,744,000	(\$8,847,222)

<i>Fiscal Year</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	19.0
2025	46.0
2026	46.0
2027	46.0
2028	46.0

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 metal license plates to be issued instead of the current paper One-Trip and 30-Day permits and temporary dealer's and converter's tags. The bill would amend Transportation Code, Section 503.061, to require TxDMV to design and make available a dealer's demonstration license plate. The bill would amend Tax Code, Section 152.027(a), to impose a use tax of \$25 for each dealer demonstration plate issued. 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 July 1, 2025.

Methodology

Based on the information and analysis provided by TxDMV and the Comptroller's Office, it is assumed 487,200 dealer demonstration plates would be initially issued in July 2025 for a one-year term and renewed for a one-year term in July of each fiscal year thereafter, resulting in the revenue gains shown in the table above. The base fee for each plate would be \$20, deposited to the Texas Department of Motor Vehicles Fund 0010 (Fund 0010), and a use tax of \$25 would be imposed on each demonstration plate. Based on the analysis provided by the Comptroller's office, it is assumed 65 percent of the use tax imposed would be deposited to General Revenue Fund 0001 and 35 percent would be deposited to State Highway Fund 0006.

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 July 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) and an initial manufacturing cost of \$812,326 for metal One-Trip and 30-Day permit metal plates (466,854 plates at \$1.74 per plate). TxDMV would also incur one-time Registration and Titling System programming costs and setup costs of \$18,714 in fiscal year 2024 for creation of the new One-Trip/30-Day, Dealer Demonstration, and Out-of-State Buyer metal plates. 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 \$15.6 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 9.0 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 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 5.0 Compliance Analyst I FTEs in fiscal year 2024 and an additional 15.0 positions in fiscal year 2025 (\$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); and, beginning in fiscal year 2025, 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 2025). Annual additional fleet maintenance costs are estimated to be \$24,000 beginning in fiscal year 2025.

Estimated costs for the additional 46.0 FTE positions identified above include the following: salaries and wages costs of \$1.3 million in fiscal year 2024 (19.0 FTEs) and \$2.7 million per year in following fiscal years (46.0 FTEs); employee benefits costs of \$380,835 in fiscal year 2024 and \$808,070 each fiscal year thereafter (30.33 percent of salary cost); agency payroll contribution costs for retirement and group insurance of \$18,834 in fiscal year 2024 and \$39,964 each fiscal year thereafter (1.5 percent of salary cost); one-time office furniture and computer equipment costs of \$172,900 in fiscal year 2024 and \$245,700 in fiscal year 2025 and \$75,700 in fiscal year 2028 for replacement/refresh of computer equipment; and \$74,442 in fiscal year 2024, \$184,028 in fiscal year 2025, and \$189,428 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 \$15.6 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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