

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**May 5, 2005**

**TO:** Honorable Mike Krusee, Chair, House Committee on Transportation

**FROM:** John S. O'Brien, Deputy Director, Legislative Budget Board

**IN RE: HB2893** by Phillips (Relating to a motor vehicle liability insurance compliance program; providing civil and criminal penalties.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2893, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2007.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from STATE HIGHWAY FUND 6</b>
2006	(\$5,973,612)
2007	(\$2,279,909)
2008	(\$2,279,909)
2009	(\$2,279,909)
2010	(\$2,279,909)

**Fiscal Analysis**

The bill would amend the Transportation Code as it relates to a motor vehicle liability insurance compliance program and provides civil and criminal penalties.

The bill would require the Department of Public Safety (DPS) to establish a motor vehicle liability insurance compliance program. DPS would be allowed to request and obtain advice and assistance from other agencies including the Texas Department of Insurance and the Texas Department of Transportation. DPS would also be allowed to contract with one or more public or private entities to administer the liability insurance compliance program.

An insurance company would be required to report electronically to DPS no later than the third business day after the date of issuance or renewal of a liability insurance policy, 1) the insurance

policy number, 2) the effective date of the policy, 3) the make, model, license plate number, and vehicle identification number of each vehicle covered by the policy, and 4) any other information required by DPS. Information relating to an insurance policy terminated or cancelled would be required to be provided to DPS before the effective date of termination or cancellation. Although insurance companies would be required to report information to DPS in a format specified by DPS, the format would have to be compatible with insurance industry standards and would remain the property of the insurance company.

The bill would require DPS or an administering entity to develop and maintain a computer database to administer and enforce the provisions of the motor vehicle liability insurance program. The bill would require the database be updated periodically to identify new insurance policies and determine whether previous insurance policies are still in effect. In addition to the database, the bill would allow DPS to establish a toll free number as a means to access this information. An individual disclosing information to someone who is not authorized to receive the information or view, read, or copy the information would be committing a state jail felony.

The bill would prohibit an insurance company or its designated agent from assessing or collecting a fee from motor vehicle liability insurance policyholders because the company has to comply with the motor vehicle liability insurance compliance program.

The bill would take effect September 1, 2005.

### **Methodology**

Under the provisions of the bill, the Department of Public Safety (DPS) or an administering entity would be required to develop and maintain a computer database to be used in the administration and enforcement of the motor vehicle liability insurance compliance program. DPS estimates it would cost \$5,535,987 in fiscal year 2006 to contract with a vendor for development of a computer database and \$1,845,329 in each fiscal year from 2007 through 2010 for maintenance of the database. The Department of Transportation (TXDOT) reports that programming modifications to provide DPS periodically with updated vehicle registration information would cost \$52,065 in fiscal year 2006 and \$67,020 in subsequent fiscal years. The total cost to comply with the development and maintenance of a computer database to be used in the administration and enforcement of the motor vehicle liability insurance compliance program would be \$5,588,052 in fiscal year 2006 and \$1,912,349 in subsequent fiscal years.

The bill would also allow DPS to establish a toll free number as a means to access the information contained in the database. DPS estimates the cost to install 3 T-1 lines with a total of 72 circuits is \$18,000 for hardware with a yearly operation cost of \$367,560 (\$390 x 12 months for T-1 circuits plus \$1440 x 21 days per month x 12 months for per call charges [\$0.05 per minute x 50 minutes of usage per hour x 8 hours per day x 72 circuits]). This setup would provide access to 5,760 customers per day (80 calls x 72 circuits).

DPS reports that the current driver license system and the Texas Law Enforcement Telecommunications System (TLETS) would need program modifications in order to comply with the provisions of the bill; however, these modifications can be accomplished within existing resources.

The total cost to comply with the development and maintenance of the motor vehicle liability insurance verification database and toll-free access would be \$5,973,612 in fiscal year 2006 and \$2,279,909 in each subsequent fiscal year.

### **Technology**

The technology costs estimated to comply with the development and maintenance of a motor vehicle liability insurance verification database and toll-free number to be used in the administration and enforcement of the motor vehicle liability insurance compliance program would be \$5,973,612 in fiscal year 2006 and \$2,279,909 in subsequent fiscal years.

## **Local Government Impact**

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

**Source Agencies:** 405 Department of Public Safety

**LBB Staff:** JOB, SR, VDS, SJ, KJG, LM