LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 4, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB90** by Hall (Relating to the repeal of the driver responsibility program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB90, As Introduced: a negative impact of ($24,156,100) through the biennium ending August 31, 2019.

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
2018	$0
2019	($24,156,100)
2020	($48,760,494)
2021	($72,918,594)
2022	($72,918,594)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund - Vendor Compensation*	Probable Revenue Gain/(Loss) from *Trauma Facility And Ems* 5111
2018	$0	$0	$0	$0
2019	$4,809,096	($25,154,000)	($3,811,196)	($24,656,000)
2020	$9,168,897	($50,307,000)	($7,622,391)	($49,313,000)
2021	$13,977,993	($75,463,000)	($11,433,587)	($73,969,000)
2022	$13,977,993	($75,463,000)	($11,433,587)	($73,969,000)

Fiscal Year	Change in Number of State Employees from FY 2017
2018	0.0
2019	(13.0)
2020	(28.0)
2021	(43.0)
2022	(43.0)

Fiscal Analysis

The bill would repeal the Driver Responsibility Program (DRP), which was established by Transportation Code, Chapter 708, and the surcharges assessed on drivers convicted of certain driving offenses. The bill would require surcharges assessed prior to the effective date of the repeal to continue to be paid, including any unpaid surcharges or penalties assessed in prior years.

The bill would amend the Health and Safety Code, Chapter 780, to remove provisions which allocate DRP surcharge revenue to the General Revenue-Dedicated Designated Trauma Facility and Emergency Medical Services (EMS) Account No. 5111 and the General Revenue Fund. Based on current law, 50.5 percent of DRP surcharges are deposited to the General Revenue Fund and the remaining 49.5 percent are deposited to the General Revenue-Dedicated Designated Trauma Facility and EMS Account No. 5111.

The bill would strike language in the Transportation and Health and Safety Code, which reference the allocation of DRP surcharge and state traffic fine revenue to the Texas Mobility Fund (TMF) No. 365 that would occur if combined deposits to the General Revenue Fund from these sources in a fiscal year reach $250 million.

The bill would take immediate effect upon enactment, if it receives the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2017.

Methodology

Estimated revenue impacts shown in the table above are derived from the Comptroller of Public Accounts (CPA) Biennial Revenue Estimate (BRE) for the 2018-19 Biennium. DRP surcharges are assessed for a period of thirty-six (36) months or three years. As previously noted, the bill would require surcharges assessed prior to the effective date of the repeal to continue to be paid. It is assumed revenue collected from surcharges would continue to be allocated to General Revenue Fund and General Revenue-Dedicated Designated Trauma Facility and Emergency Medical Services (EMS) Account No. 5111 as required by the applicable law in effect prior to the bill's effective date.

According to the CPA, the bill would have a delayed revenue effect. Since the bill would not affect surcharges imposed for the period 36 months prior to its enactment, the bill would have no revenue impact in fiscal year 2018 and a partial revenue impact in fiscal years 2019 and 2020. Beginning in fiscal year 2021, when the balance in surcharges assessed prior to the bill's enactment are assumed to be paid in full, the bill would have the full revenue effect. The table above reflects the delayed revenue impact as well as the distribution of DRP surcharge collections between the General Revenue Fund and the General Revenue-Dedicated Designated Trauma Facility and EMS Account No. 5111. The bill would result in a revenue loss to General Revenue

Funds of $25.2 million in fiscal year 2019, $50.3 million in fiscal year 2020, and $75.5 million in fiscal year 2021 and each year thereafter, and a revenue loss to General Revenue-Dedicated of $24.7 million in fiscal year 2019, $49.3 million in fiscal year 2020, and $74.0 million in fiscal year 2021 and each year thereafter.

The table above also reflects the savings associated with the cost of administering DRP. Such costs would decline and eventually no longer be incurred when the surcharges assessed prior to the enactment of the repeal are paid. According to DPS, the total cost of administering DRP is an estimated $14.0 million per year or $28.0 million each biennium, including DPS program staff and operating costs ($2.5 million each fiscal year and 43 full-time equivalent positions), and compensation to the vendor that, among other things, collects the surcharges (an estimated $11.4 million each fiscal year). For purposes of this analysis, it is assumed that the total cost of administering DRP would decline, proportionally with the loss in surcharge revenue, by approximately one-third in fiscal year 2019, by another third in fiscal year 2020, and be eliminated altogether by fiscal year 2021. As previously, stated, all unpaid surcharges assessed prior to the enactment of the repeal are anticipated to be collected by fiscal year 2021. The bill would result in administrative cost savings to General Revenue Funds of $4.8 million in fiscal year 2019, $9.2 million in fiscal year 2020, and $14.0 million in fiscal year 2021 and each year thereafter. Vendor compensation is provided by service fees paid by those that owe DRP surcharges. Therefore, there would be a corresponding decline in fee revenue related to vendor compensation.

According to the CPA and the Texas Department of Transportation, the provision eliminating the potential for diversion of DRP and state traffic fine revenue from General Revenue to TMF No. 365 would have no fiscal impact, as the conditions required for that allocation have never been met. DPS has indicated that there may be programming costs associated with DRP repeal. For purposes of this analysis, it is assumed that these costs would either be absorbed by existing agency resources or reduce the cost savings listed in the table above.

Technology

DPS anticipates that programming changes to the automated Driver License System (DLS) would be required in the event the Driver Responsibility Program is repealed.The agency reports that the DLS will require programming to discontinue surcharge assessments for new convictions of DRP-related driving violations.

Local Government Impact

There would be fiscal implications for local governments that write traffic tickets. Tickets would have to be revised to exclude any references to the Driver Responsibility Program. The Department of State Health Services reports that if no alternative revenue or funding source to replace DRP surcharge deposits to the General Revenue-Dedicated Designated Trauma Facility and EMS Account No. 5111 is available, there would be significant fiscal consequences for the state's EMS providers and hospitals.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 537 State Health Services, Department of, 601 Department of Transportation

LBB Staff: UP, AG, JJ, ZS, SD