

Overview of the Optional Vehicle Registration Fee

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As is described below, five counties have secured legislative authority to impose an optional vehicle registration fee ("Optional VRF") to fund transportation projects in their areas. Four of the five counties are located along the Texas/Mexico border, but in 2013 Bexar County joined the group. While it is unclear whether the statute can be further expanded to include additional counties, it has the advantage of already being an existing statutory provision, and it is the only local option transportation funding legislation that has passed in recent years.

In general, the Optional VRF allows a county to impose an additional \$10 vehicle registration fee and to remit that \$10 fee to an RMA to fund long-term transportation projects. As noted in Section C below, the RMA can leverage the fee through bond issuances, and can use the proceeds to develop non-tolled or tolled transportation projects.

A. History and Overview

2007 (80th Legislative Session)

- **HB 3437** (Rep. Flores/Sen. Hinojosa) added Sec. 502.1725 to the Transportation Code to authorize certain counties to impose an additional \$10 vehicle registration fee (the "Optional VRF") by action of the county commissioners court. The fee was required to be sent to "the regional mobility authority ("RMA") of the county to fund long-term transportation projects in the county."

Eligible counties were those which:

- (1) bordered Mexico;
- (2) had a population of more than 300,000; and
- (3) in which the largest municipality had a population of less than 300,000.

Giving effect to the bracketing language, the only eligible counties were Cameron and Hidalgo.

Other features:

- the Optional VRF takes effect on January 1, provided the court has adopted the order and notified TxDOT by the preceding September 1
- the Optional VRF may be removed by a county by:
 - » rescinding the order imposing the fee; and
 - » notifying TxDOT by September 1 of the preceding the year in which the removal is to take effect.

2011 (82nd Legislative Session)

- **HB 2357** (Rep. Pickett/Sen. Williams) re-codified various provisions of the Transportation Code. Sec. 502.1725 became Sec. 502.402, with certain non-substantive changes to language in the statute.

2013 (83rd Legislative Session)

- **HB 1198** (Rep. Raymond/Sen. Zaffirini) amended Sec. 502.402(a) and (e) to reduce the population threshold established in HB 3437 and eliminate the reference to the size of the largest municipality in the county. This bill was originally intended to include Webb County; a floor amendment by Sen. Rodriguez made El Paso County eligible (and made slight wording changes to recognize that El Paso has a city-created RMA (the only one in the state)).

- **HB 1573** (Rep. McClendon/ Sen. Van de Putte) amended the population threshold for eligibility to impose the Optional VRF by adding a county with a population of more than 1.5 million that is coterminous with a regional mobility authority. This made Bexar County eligible for the Optional VRF.

In addition, at the request of Sen. Campbell a restriction was placed on the use of Optional VRF proceeds so that they can only be used to fund long-term transportation projects “that are consistent with the purpose specified by Section 7-a, Article VIII, Texas Constitution” In general, these purposes are acquiring right-of-way and constructing, maintaining, and policing public roadways. Costs related to transit projects are not a permissible use of the Optional VRF proceeds. Note that this restriction applies to all eligible counties (not just Bexar County).

- **HB 3126** (Rep. Lucio/Sen. Lucio) amended Sec. 502.402 to allow a county bordering Mexico with a population of less than 700,000 (i.e., Cameron and Webb County) to increase the amount of the Optional VRF to \$20, but only through approval of the increase by vote of county residents. This did not affect the original Optional VRF adopted by the Cameron County; it would only apply to a possible increase in the amount.

B. Summary – Current Status

Based on the previous legislative enactments:

- Cameron, Hidalgo, Webb, El Paso, and Bexar Counties are eligible to adopt the Optional VRF.
- Cameron and Webb County are eligible to increase the amount of the Optional VRF to \$20 through approval of the increase by vote of county residents.
- the fee must be remitted to the RMA in the county for use in connection with long-term transportation projects.
- the Optional VRF proceeds may only be used for roadway purposes (i.e., construction, ROW, and policing).
- the Optional VRF is adopted by order of a county commissioners court; no public vote is required.
- the fee may be removed or rescinded (but see below*).

C. Current Utilization of the Optional VRF

All of the eligible counties have adopted the Optional VRF and 4 of the 5 have leveraged the fee through bond issuances. Three of the counties are using VRF proceeds (and bond proceeds) for non-tolled projects. Neither Cameron or Webb County has held the election to increase the Optional VRF to \$20.

Cameron: In 2010, the CCRMA issued approximately \$29 million in VRF Bonds. (Note: Cameron County has not pursued an additional increase in the fee though voter approval as authorized by HB 3126.)

Hidalgo: In 2013, the Hidalgo County RMA issued approximately \$61.5 million in VRF bonds.

El Paso: In 2014, the Camino Real RMA issued approximately \$68.5 million in VRF bonds.

Bexar: In 2016, the Alamo RMA issued approximately \$114 million in VRF bonds.

Webb: The Webb County Commissioners Court adopted the Optional VRF in August of 2013 and a Transfer and Pledge Agreement was entered into with the Webb County-City of Laredo RMA on August 17, 2015.

* NOTE: In order to issue bonds, it is important to provide that the Optional VRF will not be rescinded while the bonds are outstanding (since those fees serve as security for the bonds). Therefore it is typical for a county adopting the Optional VRF to enter into an interlocal agreement (or a Transfer and Pledge Agreement) with the RMA that commits the RMA to develop projects and commits the County to maintain, and not rescind, the Optional VRF. These agreements can detail the process by which projects to be supported by the Optional VRF are selected; the role of the County in that process; and other conditions and obligations of the County and the RMA related to the use of the fee, development and funding of projects, etc.

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