

Solutions to Fund Trauma Care in Texas

To the Senate Finance Committee Members: Thank you for this hearing and for your willingness to consider stable funding options for trauma centers to replace the unstable revenue generated by the Texas Driver Responsibility Program (DRP).

Rider 180 & The Need for Stable Funding for Trauma Centers

This Committee has already demonstrated a real willingness to explore new ideas for trauma center support. In the Texas Legislature's last regular session, the committee authored Rider 180 to SB 1, which provided a significant funding increase.

Rider 180 provides roughly \$180 million per year in new funding for trauma hospitals using the most stable and effective approach available — Medicaid dollars that draw down federal dollars. While Rider 180 was not intended to replace DRP revenue, this is exactly the kind of funding solution that will put trauma centers on a stable financial foundation without harming low-income Texans.

Representatives for the trauma centers have said they want a new source of “dedicated” funding for unreimbursed care in the event of DRP repeal. In most circumstances, dedicated funding is a synonym for stable and reliable funding, but in this case the two concepts diverge. The DRP produces dedicated funding that is neither stable nor reliable because DRP nonpayment rates are high and vary considerably depending on the economy and the actions of local officials.

Last session, DRP repeal would have cost the state roughly \$150 million per biennium in lost trauma care funding, and another \$150 million in lost General Revenue (GR) funds. By next session, I predict (data is not yet available) that revenue from DRP payments will have dropped. This will be due to the two-month payment abatement granted to drivers in Hurricane Harvey counties (a large swath of the state) and to changing attitudes by municipal court judges handling traffic violators who are clearly broke.

Failure to Pay DRP Surcharges Results in Unnecessary, Expensive Local Jail Incarceration & Unstable Revenue Source for Trauma Centers

Local judges and county officials feel increasing pressure from voters who do not want to keep expanding jails to house people guilty of lesser offenses, especially traffic offenses and debt. Texans have been routinely voting down jail expansion bond proposals because that is not how they want counties to spend their tax dollars. Instead, the broad public supports using existing jail space more effectively by ending jail time for non-jailable offenses, ending “debtor’s prison” arrests, improving pretrial release, and focusing jail beds on those who need to be incarcerated for the safety of the rest of us.

Fixing the DRP is a small but important part of the larger debate about whether local jails should be packed with people who cannot pay their fines. If drivers do not pay the DRP fines — there are many reasons people fail to pay this three-year civil fee levied on top of their municipal traffic fine — and they do not know to apply for a waiver, they lose their driver’s license. Some people do not realize they can still get auto insurance if they do not have a valid driver’s license, and so they allow their coverage to

lapse after their license is suspended. If they continue to drive, they can be arrested and get yet another set of DRP civil penalties. It becomes an endless cycle.

The Legislature recognized the need to address the over-incarceration of people who do not have money to pay fines like these when it passed HB 351. HB 351 made changes to ensure that people know about alternatives to paying fees they simply cannot afford, and gave judges new options to waive unaffordable penalties prior to a traffic violator's eventual arrest and magistration. Municipal court judges understand that it is a waste of police, court, and jail resources to wait until someone has been arrested and jailed to move forward with an indigency waiver. As they begin to have more complete information up front, more and more drivers will be granted waivers.

However, if judges are increasingly determining up front whether people can pay the DRP fines, then DRP revenue dedicated to trauma centers is likely to be more unstable. Instead, the focus must be on seeking stable sources of funding, regardless of whether that funding is dedicated to the trauma center fund.

Potential Alternative, Stable Funding Streams

Last session, the Senate Transportation Committee focused its attention on alternative sources of funding that relate to traffic offenses — the kinds of fines and fees that are within its jurisdiction. Some reasonable ideas surfaced, but I hope we can now broaden the approach. There is only so much we can do with fines and fees associated with drivers. Auto accidents account only for about a quarter of trauma care, and trauma centers should not be funded as part of our highway system. Almost half of trauma care is related to falls and the rest to a wide range of injuries. Regardless of the source of their traumatic injury, some people are not insured and cannot pay steep trauma center bills. The question we must focus on next session is *how to make sure all Texans have access to fast and effective trauma care when they need it, regardless of income or insurance status.*

To that end, below are some specific ideas that were explored last session and might be worth another look:

- **Dedicate a portion of the insurance premium tax revenue to trauma centers**
Premium tax revenue increases each year. Hospitals have suggested that a portion of that increase be dedicated to trauma centers. Regardless of how it is framed, there will be more money in the upcoming biennium from premium taxes, which could be either dedicated or simply appropriated as part of the regular budget process to trauma centers along with other critical needs. Most Texans would likely support using GR funds from insurance premium taxes to support trauma care across the state.
- **Increase the auto insurance fee from \$2 to \$4 per policy**
Currently, Texas collects \$2 on each motor vehicle insurance policy to fund the Auto Burglary and Theft Prevention Authority (ABTPA) [V.T.C.S. Art. 4413(37)]. The ABTPA grants money to local law enforcement and counties to prevent auto burglary and auto theft. In fiscal year 2015, the existing \$2 fee on every motor vehicle insurance policy generated \$45 million, of which \$15 million was appropriated to the ABTPA and \$30 million remained in GR. These funds are not deposited into a dedicated fund or account; instead, they are deposited entirely into GR (revenue object code 3206). We recommend the following:

- » Increasing the fee from \$2 to \$4 (or more), which will generate at least \$89 million for the biennium; and
 - » Continuing to use the existing GR revenue administration system, with all new funds going to GR and trauma care funding being allocated from GR in an ordinary budget process, just as ABTPA funds are appropriated.
- **Increase the state's portion of every traffic ticket**
Depending on the size of the increase, a fee on every single traffic ticket will generate considerable revenue. Full repeal of the DRP can be paid for by increasing the state's portion of traffic ticket revenue from \$30 to \$60. This is too much. Trauma care funding should not be founded on a scheme that over-punishes drivers for traffic offenses. Instead, the burden could be shared with revenue from some of the other solutions suggested here and in future discussions.
 - **Increase the vehicle registration fee from \$2 to \$4 per vehicle**
Currently, the Texas Department of Motor Vehicles registers 24 million vehicles each year. The base registration fee is \$50.75 plus \$1 for TexasSure, the electronic insurance verification program, and \$1 for improvements to the registration and titling computer system. The state portion totals \$52.75. An additional \$2 fee would raise the state total on each vehicle to \$54.75 and generate \$96 million for the biennium.
 - **Increase the vehicle driver's license examination fee from \$3 to \$6**
According to last session's Texas Department of Public Safety (DPS) budget proposal, Texas administered 4,767,505 driver's license examinations in FY 2015. An additional fee of \$3 per exam would generate \$14.3 million per year or \$28.6 million per biennium. DPS expects the number of examinations to increase to 4,900,000, which would produce \$29.4 million for the FY 2018–19 biennium.

There is already widespread agreement among lawmakers in both chambers that the Driver Responsibility Program does harm and must be repealed. Repeal legislation has been filed again and again, but fails each session largely because this piece of the funding puzzle has not been solved or the best budget ideas emerge too late to be realistically considered. Thanks to this Committee, we can do better this time. TCJC would like to be a part of the Committee's ongoing discussions, and we can continue to provide research in support of any ideas that may finally lead to the repeal of the Driver Responsibility Program.