F I S C A L   I M P A C T   R E P O R T

		ORIGINAL DATE	02/10/14		
SPONSOR	Brown	**LAST UPDATED**	02/13/14	**HB**	315/aHTPWC
SHORT TITLE	Highway District Project Fund			**SB**	
				ANALYST	Graeser

APPROPRIATION

Up to $5 million a year from FY2015 through FY2017 of severance tax bond proceeds is appropriated to the Department of Transportation (NMDOT) to maintain or rehabilitate state highways impacted by energy development in State Transportation Commission Districts 2 and 5. This money may not be used to pay indirect costs of NMDOT.

Up to $5 million a year from FY2015 through FY2017 of severance tax bond proceeds is appropriated to the Local Government Transportation Fund for distribution approved by NMDOT to maintain or rehabilitate local government highways and roads impacted by energy development in State Transportation Commission Districts 2 and 5.

Money from the Highway District Project Fund is appropriated to NMDOT for maintenance, repair and rehabilitation of highways and roads used by energy producers and necessary to energy production in New Mexico. The Highway District Project Fund will receive $10 million a year of Motor Vehicle Excise Tax revenue from FY2015 through FY2019.

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY14	**FY15**	**FY16**	**FY17**	**FY18**		
	($10,000.0)	($10,000.0)	($10,000.0)	($10,000.0)	Recurring for 5 years	General Fund (MVEX)[2]
	$10,000.0	$10,000.0	$10,000.0	$10,000.0	Recurring for 5 years	Highway District Project Fund[2]
	($10,000.0)	($10,000.0)	($10,000.0)	$0.0	Recurring for 3 years	Severance Tax Bond Capacity
	$5,000.0	$5,000.0	$5,000.0		Recurring for 3 years	Local Government Transportation Fund
	$5,000.0	$5,000.0	$5,000.0		Recurring for 3 years	Department of Transportation Bond Proceeds Fund

Parenthesis ( ) indicate revenue decreases

1) The impact to the Severance Tax Bond Fund and distribution to the Road Fund and Local Government Transportation Fund recurs for three years from FY2015 through FY2017.

2) The redistribution of Motor Vehicle Excise Tax revenue from the General Fund to the Highway District Project Fund occurs for a total of five years from FY2015 through FY2019

Duplicates/Relates to Appropriation in the General Appropriation Act: HB 4

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Transportation (DOT)

SUMMARY

Synopsis of HTPWC Amendment

House Transportation and Public Works Committee amendment to House Bill 315 makes provision that if in any month, there is not $833,333.33 in the motor vehicle suspense fund, that only such money as is available in that month will be transferred to the highway district project fund. Since the bill requires $10 million attributable to the motor vehicle excise tax to be transferred each fiscal year, this may mean that if there is a shortfall in any one month and an excess the following month, then the shortfall will be made up the following month or whenever there is sufficient surplus to cover the shortfall.

Synopsis of Original Bill

House Bill 315 redirects $10 million a year of Motor Vehicle Excise Tax revenue from the General Fund to a new "Highway District Project Fund." This distribution change continues for five years from FY2015 through FY2019 (totaling $50 million), the distribution of Motor Vehicle Excise Tax revenue then returns, as under current law, to 100 percent General Fund. This fund is non-reverting.

The bill authorizes a total $30 million in severance tax bonds (a maximum of $10 million a year from FY2015 through FY2017). Half of the proceeds are appropriated to NMDOT to maintain or rehabilitate state highways impacted by energy development in State Transportation Commission Districts 2 and 5. The other half is appropriated to the Local Government Transportation Fund for distribution approved by NMDOT to maintain or rehabilitate local government highways and roads impacted by energy development in State Transportation Commission Districts 2 and 5.

The bill also makes a temporary change to the required uses of the Local Government Road Fund. Currently 42 percent of the Local Government Road Fund is designated for cooperative agreements between NMDOT and local governments for road construction and improvement. Under current law, 33 percent of the local government cooperative agreement amount is designated for agreements entered into with all New Mexico counties and 49 percent is designated for agreements entered into with all New Mexico municipalities. For five years, from FY2015 through FY2019, it would limit the use of both to only counties and municipalities "within state transportation districts 2 and 5 to address the maintenance of highways and roads that as certified by the Secretary of NMDOT are deteriorating due to the impact of energy development."

EFFECTIVE DATE: The effective date of this bill is July 1, 2014. Although there is not an explicit sunset date, the MVEX sequestration will terminate effective June 30, 2019. The dedication of $30 million in Severance Tax bond capacity is limited to $10 million per year for FY15, FY 16 and FY17.

FISCAL IMPLICATIONS

Over the five-year period FY15 through FY 19, this bill appropriates a total of $80 million dollars for the purpose of renovating, constructing and maintaining state and local roads in State Transportation Commission districts 2 and 5.

One-sixtieth of $50 million will be sliced each month for five years from collections of Motor Vehicle Excise Tax, currently distributed to the General Fund. The Highway District Project Fund will receive $10 million a year of Motor Vehicle Excise Tax revenue from FY2015 through FY2019.

Up to $5 million a year from FY2015 through FY2017 of severance tax bond proceeds is appropriated to the Department of Transportation (NMDOT) to maintain or rehabilitate state highways impacted by energy development in State Transportation Commission Districts 2 and 5. This money may not be used to pay indirect costs of NMDOT.

Up to $5 million a year from FY2015 through FY2017 of severance tax bond proceeds is appropriated to the Local Government Transportation Fund for distribution approved by NMDOT to maintain or rehabilitate local government highways and roads impacted by energy development in State Transportation Commission Districts 2 and 5.

Money from the Highway District Project Fund is appropriated to NMDOT for maintenance, repair and rehabilitation of highways and roads used by energy producers and necessary to energy production in New Mexico.

The redistribution of Motor Vehicle Excise Tax revenue shown in the revenue impact table above is a fixed amount for five years. The amount of severance tax bonds shown assumes the maximum authorized in each year.

The table below shows forecast Local Government Road Fund amounts that would be redirected from cooperative agreements with any New Mexico counties or municipalities to specific counties and municipalities "within state transportation districts 2 and 5 to address the maintenance of highways and roads that as certified by the Secretary of NMDOT are deteriorating due to the impact of energy development." The redirection continues into FY2019 where amounts will be similar but are not currently forecast. There is presently a preference for cooperative agreements where the counties or municipalities contribute at least 25% of the project cost; the bill temporarily removes this preference.

(dollars in thousands)

	FY15	FY16	FY17	FY18
Restricted Agreements with Counties	2,520	2,591	2,709	2,789
Restricted Agreements with Municipalities	3,742	3,847	4,022	4,141

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities. The dedication of funds proposed in this bill will be effective for FY15 through FY19 only.

SIGNIFICANT ISSUES

Neither TRD nor DOT discuss whether this dedication of Severance Tax Bond capacity and General Fund revenues will establish a precedent. That is, no matter how meritorious and deserving the oil and gas industry has proved to be, dedicating limited funding specifically to benefit a particular industry and a particular region of the State should be well debated.

LG/ds