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## FISCAL IMPACT REPORT

LAST UPDATED 2/6/2024

SPONSOR Harper/Hochman-Vigil ORIGINAL DATE 2/2/2024

**BILL**

SHORT TITLE Liquor & Car Tax Distributions NUMBER House Bill 217

ANALYST Gray

### REVENUE\* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
LET		(\$25,000)	(\$25,200)	(\$25,500)	(\$25,700)	Recurring	General Fund
LET		\$7,600	\$7,600	\$7,700	\$7,800	Recurring	Local DWI Grant Fund
LET		(\$249)	(\$249)	(\$249)	(\$249)	Recurring	Municipality – Class A County (Farmington)
LET		\$2,500	\$2,500	\$2,600	\$2,600	Recurring	Drug Court Fund
LET		\$15,200	\$15,300	\$15,400	\$15,600	Recurring	Health Care Authority
MVX		(\$166,400)	(\$171,200)	(\$176,900)	(\$182,700)	Recurring	General Fund
MVX		\$78,800	\$81,100	\$83,800	\$86,600	Recurring	State Road Fund
MVX		\$87,600	\$90,100	\$93,100	\$96,100	Recurring	Transportation Project Fund
<b>Total</b>		<b>(\$191,400)</b>	<b>(\$196,400)</b>	<b>(\$202,400)</b>	<b>(\$208,400)</b>	<b>Recurring</b>	<b>Total General Fund</b>

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD – IT & Admin	\$47			\$47	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Conflicts with House Bills 112, 179, 213, 212 and Senate Bills 147, 65, and 184.

### Sources of Information

LFC Files

Agency Analysis Received From  
Administrative Office of the Courts (AOC)  
Taxation and Revenue Department (TRD)  
Health Care Authority (HCA)  
Department of Transportation (DOT)  
Department of Health (DOH)

## SUMMARY

### Synopsis of House Bill 217

House Bill 217 (HB217) decreases distributions to the general fund from both the liquor excise tax (LET) and the motor vehicle excise tax (MVEX).

**Liquor Excise Tax.** HB217 removes the distributions of LET from the general fund and increases distributions to the local DWI grant fund and the drug court fund and creates a new distribution to the Health Care Authority:

	Current Law	Proposed FY25 and Beyond
General Fund	49.5%	0%
Local DWI Grant Fund	45%	60%
Drug Court Fund	5%	10%
Class A County (Farmington) (thousands)	\$249	\$0
Health Care Authority	0%	30%

**Motor Vehicle Excise Tax.** HB217 changes the distribution of the motor vehicle excise tax as follows:

	Current Law	Proposed FY25 and Beyond
General Fund	59.39%	0.00%
State Road Fund	21.86%	50%
Transportation Project Fund	18.75%	50%

This provision will increase revenue to both the state road fund and the transportation project fund.

The effective date of this bill is July 1, 2024.

## FISCAL IMPLICATIONS

HB217 diverts or “earmarks” a source of revenue, representing a recurring loss from the general fund from the motor vehicle excise tax and the liquor excise tax. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities.

The distribution of the motor vehicle excise tax and the liquor excise tax was determined using the December 2023 consensus revenue estimate to determine gross collections and new distributions.

In FY23, the MVEX contributed \$164.7 million to the general fund, about 1.4 percent of recurring general fund revenue. Removing MVEX from the general fund will exacerbate revenue volatility and make the state more reliant on oil and gas revenues.

## SIGNIFICANT ISSUES

According to a 2023 LFC progress report, alcohol is New Mexico’s predominant substance-use problem. In 2021, 2,274 New Mexicans died from alcohol-related causes, roughly six people each day. The state has had the highest alcohol-related death rate in the country for over a decade, and the state’s alcohol related death rate grew by 32.4 percent between 2019 and 2021.

Between 2019 and 2021, the most recent year for which the Department of Health (DOH) has published data, the state’s rate of alcohol-related deaths increased from 78.5 deaths per 100 thousand people to 102.8 deaths per 100 thousand people, a 31 percent increase. In 2016, New Mexico’s alcohol-related death rate was nearly twice the national rate.

A 2020 DOH gap analysis suggests, of the 100 thousand people who live with an alcohol use disorder, about 70 thousand do not receive treatment. DOH estimated about 10 percent of those who need treatment and do not receive it will never receive it.

The bill seeks to address the need for infrastructure investment identified by the Department of Transportation (NMDOT). NMDOT’s operating budget primarily comes from two sources: formula funding from the U.S. Department of Transportation and revenue from gasoline and diesel taxes, fees on commercial trucking, and vehicle registration fees deposited into the state road fund.

## TECHNICAL ISSUES

TRD notes:

Under sub-section B, page 2, line 8, the bill states the distribution shall be made to the “health care authority department.” To distribute the fund, TRD needs a Health Care Authority Department fund specified.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

**Liquor Excise Tax Distributions.** This bill conflicts with HB213 (Liquor Tax & Definitions), HB212 (Liquor Tax Rate & Fund), HB179 (Liquor Tax Changes & Uses), SB147 (Liquor Tax Increase & Use), and HB112 (Liquor Tax Distribution for Treatment).

**Motor Vehicle Excise Tax.** Senate bill 65 also seeks to redistribute motor vehicle excise taxes. Senate Bill 184 redistributes MVEX revenues. House Bill 146, in part, redistributes MVEX revenues.

BG/al/hg/rl/ne