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FISCAL IMPACT REPORT

ORIGINAL DATE 02/17/21

SPONSOR Castellano LAST UPDATED _____ HB 228

SHORT TITLE Change Motor Vehicle Tax Distribution SB _____

ANALYST Torres

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23	FY24		
	(\$41,132)	(\$42,501)	(\$44,258)	(\$45,845)	Recurring	Local Governments Road Fund
	\$41,132	\$42,501	\$44,258	\$45,845	Recurring	Transportation Project Fund

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$8.3		\$8.3	Nonrecurring	General Fund- TRD

Parenthesis () indicate expenditure decreases

Duplicates SB20

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)
 Taxation and Revenue Department (TRD)
 Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

House Bill 228 (HB228) redirects the eighteen and seventy-five hundredths percent of the Motor Vehicle Excise Tax revenue distribution from the Local Governments Road Fund to the Transportation Project Fund.

The effective date of this bill is July 1, 2021.

FISCAL IMPLICATIONS

Fiscal estimates from the December 2020 consensus revenue estimating group (CREG) are used to determine the amount of revenue reduced to the local governments road fund and paralleling increase to the transportation project fund. The transportation project fund currently has no dedicated source of revenue. If enacted, commencing in fiscal year 2022, HB228 would provide approximately \$41-\$46 million per fiscal year of recurring revenue to the transportation project fund.

SIGNIFICANT ISSUES

The local government road fund is dedicated to beneficiaries based on the total distribution to the fund. Currently, the local government road fund supports school bus routes (16 percent), the municipal arterial program (16 percent), the cooperative agreement program (42 percent), and the county arterial program (26 percent). By shifting revenues to the transportation project fund, DOT may choose to fund priorities differently than intended by the Legislature in the original distribution made to the local government road fund.

The Taxation and Revenue Department notes:

This is a state agency bill proposed on behalf of the New Mexico Department of Transportation (DOT). The shift of revenue from the Local Governments Road Fund to the Transportation Project Fund facilitates easier access to the funds by local governments and permits greater flexibility in the use of the funds. The local governments road fund must be expended according to strict proportions for different purposes. The transportation project fund does not contain similar restrictions. According to DOT economists, currently, local governments have to provide a 25 percent match for certain projects financed from the local governments road fund. By redistributing the 18.75 percent of motor vehicle excise tax to the transportation project fund, local governments will only have to provide a 5 percent match, or even no match in cases of demonstrated financial hardship, allowing a broader base of local governments to benefit from the state transportation funding.

The Department of Transportation adds:

Revenue credited to the local governments road fund is distributed to the enumerated entities based on a statutorily created formula. Fund distribution is not based on needs and often results in some of the dedicated funds not being distributed during a particular fiscal year. Preference is given to entities who are able to contribute a match up to 25 percent of the project cost (NMSA 1978, Section 67-3-32). On the other hand, distributions from the transportation project fund is a competitive process based on need. Entities are only required to submit a 5 percent match with the ability to obtain a waiver of that match amount upon a showing of financial hardship. There is no statutory formula requiring the funds to be distributed to specific entities. Entities that show the importance of the project to their locality regardless of whether the entity is a municipality, county or Indian tribe, and show that their project is “shovel ready” receive preference. Projects can span the gamut from planning to construction. The transportation project fund requires award and distribution of the funds within a few

months of the start of a new fiscal year which in the case of a construction project gets the funds quickly into the local economy.

ADMINISTRATIVE IMPLICATIONS

If the bill is signed into law, implementation will impact the Taxation and Revenue Departments (TRD) processes, distributions, reports, and systems. A new distribution will require configuration changes to the Tapestry and SHARE systems, as well as changes to other revenue distribution reports. A new account and subaccounts will have to be created to distribute the motor vehicle excise tax to the newly-created transportation project fund. The TRD will need to test these changes to make sure that the distributions will be properly executed by the effective date of the bill (July 1, 2021). The estimated time to develop, test and implement the changes for a distribution is approximately 160 hours or 4 weeks for an estimated \$8,262 in staff workload costs of Information Technology Division (ITD) resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicate of Senate Bill 20.

IT/al