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FISCAL IMPACT REPORT

SPONSOR: Begaye DATE TYPED: 2/26/03 HB 987

SHORT TITLE: Raise Gas Tax to Fund Motor Vehicle Insurance SB _____

ANALYST: Reynolds-Forte

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$22,883.0			Recurring	Other State Funds

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$5,691.0	\$6,323.0	Recurring	State Road Fund
	769.0	855.0	Recurring	Counties and Municipalities
	436.0	484.0	Recurring	County Road Funds
	436.0	484.0	Recurring	Municipal Road Funds
	101.0	113.0	Recurring	Municipal Arterial Program
	18.0	20.0	Recurring	Aviation Division
	9.0	10.0	Recurring	Motorboat Fuel Fund
	22,883.0	24,963.0	Recurring	New-Motor Vehicle Insurance Fund
	\$30,343.0	\$33,252.0	Recurring	TOTAL – All Funds

(Parenthesis () Indicate Revenue Decreases)

The fiscal impacts shown for funds other than the Motor Vehicle Insurance Fund result from the bill's elimination of the one cent decrease in the gasoline tax scheduled for July 1, 2003; otherwise, those other funds are not substantially affected by the gasoline tax rate increase above the level of 17 cents per gallon.

Conflicts with HB975 and SB807 and relates to HB644

SOURCES OF INFORMATION

Responses Received From

State Highway and Transportation Department
New Mexico Taxation and Revenue Department

SUMMARY

Synopsis of Bill

HB 987 increases the state gasoline tax by 3 cents per gallon, directing the additional revenue into a new Motor Vehicle Insurance Fund administered by Human Services Department. The Motor Vehicle Insurance Fund would be used to provide motor vehicle liability insurance for one vehicle owned by qualifying indigent families. Indigent families are defined as having income up to 150% of the federal poverty guidelines. A person could receive insurance assistance for a maximum of three years.

The bill also effectively eliminates the one-cent decrease in the gasoline tax rate scheduled for July 1, 2003.

HB987 has an effective date of July 1, 2003 for tax rate change provisions and August 1, 2003 for revenue distribution provisions (see Technical Issues).

FISCAL IMPLICATIONS

HB987 increases the gasoline tax by three cents per gallon and creates a new Motor Vehicle Insurance Fund into which the increased gasoline tax revenues are distributed. The balances in the Motor Vehicle Insurance Fund are appropriated to the Department of Human Services for providing motor vehicle liability insurance for qualifying adults. The State Highway and Transportation Department and the Taxation and Revenue Department estimates that approximately \$25 million annually would be distributed into the new fund.

HB987 eliminates the one-cent decrease in the gasoline tax rate scheduled for July 1, 2003. The elimination of the one-cent decrease will increase revenues for the Highway and Transportation Department by \$5.6 million in FY04 and \$6.3 million annually. It will also increase revenues for the counties, municipalities and aviation and motorboat fuel funds as noted above in the table.

ADMINISTRATIVE IMPLICATION

HB987 will require a significant effort by the Taxation and Revenue Department to notify taxpayers of the new rates, to modify forms and systems and to change distribution processes.

CONFLICT AND RELATIONSHIP

HB987 conflicts with HB975, and SB807, which adjust the gasoline tax rates and use the additional revenues for varying purposes and relates to HB644 which eliminates the one-cent decrease on gas tax on July1, 2003.

TECHNICAL ISSUES

The State Highway and Transportation Department notes that the effective dates specified in the bill are correct, but challenges have recently been made in the interpretation of these traditionally accepted effective date specifications. To clarify the intended interpretation, the Department suggests an addition reference be added to the effective date of the revenue distribution provisions:

APPLICABILITY. - - The provisions of Sections 1 through 9 of this act apply to revenue received by the taxation and revenue department on or after August 1, 2003.

The Taxation and Revenue Department recommends that the bill contain a repealer for the July 1, 2003 law which reduces the gasoline tax by one-cent. Under present law there are two versions of section 7-13-3, one is effective until July 1, 2003 and is then repealed so the other takes effect. In order to be clear that the proposal is intended to modify the section that remains in effect after July 1, 2003, this bill needs to repeal the other section. The language needed is the same as section 12 of HB 975, which repeals Laws 1995, Chapter 6, Section 11.

OTHER SUBSTANTIVE ISSUES

The State Highway and Transportation Department notes that the road user taxes and fees like the gasoline tax, have traditionally been reserved strictly for transportation purposes, particularly in states like New Mexico where transportation receives little or no funding from the state general fund. This bill proposes a financial subsidy to low income households, and although the subsidy is for the vehicle-related purpose of obtaining insurance, the predominate aspect of the bill is that of a financial subsidy to low-income households. This type of purpose has traditionally been supported by the state's General Fund.

The Department further points out that increasing the gasoline tax for a purpose other than transportation will severely limit the potential to obtain sorely-needed additional funding for transportation purposes.

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