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## FISCAL IMPACT REPORT

SPONSOR: Campos DATE TYPED: 2/26/03 HB \_\_\_\_\_

SHORT TITLE: Increase Gas Tax to Finance Highway Projects SB 807

ANALYST: Reynolds-Forte

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$557,660.0			Non-Rec	Bond Sale Revenues

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$25,433.0	See Fiscal Implications	Recurring	State Road Fund
	\$809.0	See Fiscal Implications	Recurring	Counties & Municipalities
	\$441.0	See Fiscal Implications	Recurring	County Road Fund
	\$441.0	See Fiscal Implications	Recurring	Municipal Road Fund
	\$114.0	See Fiscal Implications	Recurring	Municipal Arterial Fund
	\$16.0	See Fiscal Implications	Recurring	Aviation Fund
	\$15.0	See Fiscal Implications	Recurring	Motor Boat Fund
	\$4.0	See Fiscal Implications	Recurring	Local Government Road Fund
	\$27,273.0	See Fiscal Implications	Recurring	Total

(Parenthesis ( ) Indicate Revenue Decreases)

Conflicts with HB975

## SOURCES OF INFORMATION

Responses Received From  
Taxation and Revenue Department  
State Highway and Transportation Department

## SUMMARY

### Synopsis of Bill

SB 807 proposes increases the gasoline tax by \$0.05 per gallon--from \$0.17 to \$0.22--over a period of 4 fiscal years. The special fuel excise tax would be increased by \$0.04 per gallon--from \$0.18 to \$0.22--over four fiscal years. The distributions of the gasoline tax and the special fuel tax are modified in such a way that most of the increase in revenue associated with the tax increases accrues to the State Road Fund.

The aggregate limit on the amount of outstanding principal of bonds issued for other state highway projects is increased from \$400 million to \$915.7 million. The aggregate limit of \$1.1 billion on the amount of highway bonds for various purposes is repealed. A new section of statute is proposed that would authorize the State Transportation Commission to issue bonds and to use the proceeds for 5 projects around the state totaling \$557.7million.

The section of present law that would return the gasoline tax rate to \$0.16 per gallon is repealed. Thus, the increase to \$0.22 per gallon is effectively a \$0.06 per gallon increase after July 1, 2003.

The distribution changes are effective August 1, 2003.

### Significant Issues

The five highway improvement projects listed in the bill are:

- 1) \$129,300.0 for improvement and widening of US Highway 666 to a four-lane highway from Tohatchi to Shiprock(\$45,000.0 of the \$126,300.0 is taken from the authorization in Subsection G of Section 1 of Chapter 85 of Laws 1998)
- 2) \$180,000.0 for improvement of US Highway 54 from Tularosa to Santa Rosa
- 3) \$50,000.0 for reconstruction of the Interstate 40 and Coors Boulevard interchange in Albuquerque
- 4) \$76,360.0 for improvement and widening of US Highway 62 and 180 to a four-lane highway from Carlsbad to the Texas state line
- 5) \$125,000.0 for improvement and widening US Highway 64 and 87 from two to four lanes between Raton and Clayton

## FISCAL IMPLICATIONS

SB807 increases the gasoline tax by five cents per gallon and the state special fuel tax by four cents per gallon over four fiscal years. The State Road Fund will have increased revenues, which can be used to pay bonds for projects listed above. Counties, municipalities and other fuel tax recipients will have small impacts to revenues; they are impacted as a result of the bill repealing the one-cent gasoline tax decrease scheduled for July 1, 2003. The following schedule prepared

by the New Mexico Taxation and Revenue Department shows the four fiscal year impact of the gasoline and special fuel tax increase:

**FISCAL IMPACT (Thousands of dollars):**

Note:the( )indicate a revenue loss:

<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Funds Affected</u>
25,433.0	39,750.0	53,019.0	66,486.0	State Road Fund
809.0	875.0	876.0	881.0	Counties & Municipalities
441.0	494.0	485.0	488.0	County Road Fund
441.0	494.0	485.0	488.0	Municipal Road Fund
114.0	116.0	129.0	118.0	Municipal Arterial Fund
16.0	20.0	21.0	21.0	Aviation Board
15.0	11.0	19.0	11.0	Motor Boat Fund
4.0	1.0	(2.0)	0.0	<u>Local Governments Road Fund</u>
27,273.0	41,761.0	55,031.0	68,492.0	Total

All impacts are recurring. Impacts would increase by about 2% in FY 2008 and beyond due to a full 12 months at the \$0.22 tax rates.

SB807 also increases the bonding authority for highway debentures by \$515,660.0 and appropriates \$557,660.0 to the Highway and Transportation Department for the five projects listed above.

**ADMINISTRATIVE IMPLICATIONS**

The proposed changes would be a significant challenge for a tax system that is currently based on manual processes. Forms, instructions, collections, audit and distribution processes will require increased staff time. Inventory tax modifications will require annual attention.

**CONFLICT AND RELATIONSHIP**

SB807 conflicts with HB975 which increases the gas tax differently and uses the revenues for different projects, HB644 which eliminates the one-cent tax decrease but gives the revenues to State Highway and Transportation Department to use and HB987 which increases the gas tax and uses it to fund the motor vehicle insurance for indigents.

**OTHER SUBSTANTIVE ISSUES**

According to data developed by the State Highway and Transportation Department, New Mexico's seventeen cents per gallon gasoline tax rate is the 10<sup>th</sup> lowest in the country. The highest rates identified were twenty-eight cents per gallon in Rhode Island and twenty-seven cents per gallon in Minnesota. The median tax rate is twenty cents per gallon. Half the states have rates above this level and half below.