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FISCAL IMPACT REPORT

SPONSOR Heaton **DATE TYPED** 01/24/05 **HB** 39

SHORT TITLE Increase Motor Vehicle Administration Fees **SB** _____

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	\$863.0	Similar	Recurring	Municipal Fee Agents
	\$212.0	Similar	Recurring	State Road Fund
	\$150.0	Similar	Recurring	Local Governments
	(\$24.0)	Similar	Recurring	Local Government Road Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to: HB201
Conflicts with: HB201

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

House Bill 39 increases motor vehicle administrative fees collected by the Taxation and Revenue Department. Administrative fees, which are collected to defray the costs of operations, are increased from \$0.50 to \$1.00. The fee is distributed to municipalities conducting the transactions and to the State Road Fund and to local governments. House Bill 39 also increases the disposition of fee revenues as follows. With respect to distributions to a municipality, county or fee agency operating a motor vehicle field office, the bill increases the distribution for driver's li-

cense fees from \$6.00 to \$8.00 and from \$3.00 to \$5.00 per identification card or motor vehicle or motorboat registration or title transaction performed.

Also with respect to the disposition of fees, the bill increases the administrative costs from \$0.50 to \$1.00 for each administrative service fee remitted to the Taxation and Revenue department for a municipality or county, other than a class A county with a population exceeding 300,000 (Bernalillo County) or a municipality with a population exceeding three hundred thousand (Albuquerque) that has been designated as an agent.

The effective date of this bill is August 1, 2005.

FISCAL IMPLICATIONS

Impact of Administration Fees

TRD estimates that the administration fee increase of \$0.50 will generate a total of \$1.2 million. This estimate assumes that motor vehicle-related transactions total 2.4 million. Approximately 345 thousand of these transactions are handled by municipalities that operate field offices ("Municipal fee agents"). Therefore, \$172.5 of the \$1.2 million would be distributed to municipalities. The remaining amount would be split between the Road Fund and local governments. Specifically, 74.65 percent of the remaining 2.055 million transactions times the \$0.50 increase would be distributed to the Road Fund, which equals \$767.0. The residual, of \$260.5 gets distributed to local governments.

Changes to Distributions

In addition to receiving the \$0.50 increase in administrative fee revenue, municipalities would receive an additional \$2.00 for each motor vehicle or motorboat registration, title transaction, and identification card that they conduct. These amounts would come from revenues already collected and deposited in the Motor Vehicle Suspense Fund. TRD estimates that the municipalities issue 115,000 drivers licenses and 230,000 vehicle registrations. This would generate approximately \$230.0 for the drivers licenses (115,000 times \$2.00) and \$460.0 for the vehicle registrations (230,000 times \$2.00), for a total of \$690.0.

Since the increased distribution for drivers license, registration fees, and identification cards to the municipalities are not paid for with new money raised, these changes in distribution negatively impact various funds. The State Road Fund forgoes \$230.0, which would now be paid to the municipalities for drivers licenses. Additionally, the State Road Fund would forgo \$325.0 (74.56% of (\$460.0-\$24.0)), which would now be distributed to municipalities for vehicle registrations. Local governments would forgo \$110.5 (25.35% of (\$460.0-\$24.0)) to pay for vehicle registration to the municipalities. Note \$24.0 subtracted from the calculation above is for the issuance of identification cards paid to the municipalities by the Local Government Road Fund.

The following table details the fiscal impact for each fund:

	Estimated Revenue Impact FY 2006	Recurring or Nonrecurring Impact	Funds Affected
New administrative fees	\$173	Recurring	Municipal fee agents
\$2.00 increase/drivers license, registration, etc.	\$690	Recurring	Municipal fee agents
Total	\$863	Recurring	Municipal fee agents
New administrative fees	\$767	Recurring	State Road Fund
\$2.00 increase/drivers license, registration, etc.	(\$555)	Recurring	State Road Fund
Total	\$212	Recurring	State Road Fund
New administrative fees	\$260	Recurring	Local Governments
\$2.00 increase/drivers license, registration, etc.	<u>(\$111)</u>	<u>Recurring</u>	<u>Local Governments</u>
Total	\$150	Recurring	Local Governments
\$2.00 increase/drivers license, registration, etc.	(\$24)	Recurring	Local Government Road Fund

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 39 is similar to House Bill 201 in that they both increase motor vehicle administrative service fees and modify the distribution of fees. However House Bill 201 includes more extensive revisions in this area.

TECHNICAL ISSUES

According to the Taxation and Revenue Department, the effective date for modifying distributions in the bill is not the same as the effective date of the modified fee schedules. Since the state now uses a full accrual basis of accounting, the two effective dates should be the same.

OTHER SUBSTANTIVE ISSUES

According to the TRD, The Motor Vehicle Division (“MVD”) currently faces a chronic budget shortfall of almost \$3 million per year. Under-funding has reportedly slowed service delivery and increased reliance on private agents to provide some MVD services. The proposed bill continues the current practice by which none of the revenue raised by motor vehicle administration fees is distributed to MVD. This practice contributes to the division’s growing structural deficit.

According to the DOT, the following issues are worth noting:

- Section 66-6-19 NMSA 1978 imposes a fee of \$3.00 for vehicle title or registration transactions and ID cards, yet the bill proposes to give Fee Agents \$5.00 for performing those transactions. The net effect of this is to distribute portions of state vehicle registration fees that currently benefit the State Road Fund (primarily) to the fee agents (about \$460 thousand).
- The fee for issuing a Drivers License is \$10. Municipal and Fee Agents would receive 80 percent of that fee under the bill's provisions. This increased revenue to the fee agents comes entirely out of the State Road Fund (about \$230 thousand). However, the State Road Fund impact is positive overall due to the increase in administrative fees
- The fee for issuing an ID card is \$5.00. Municipal and Fee Agents would receive 100 percent of that fee under the bill's provisions. This increased revenue to the fee agents comes entirely out of the Local Governments Road Fund (about \$24 thousand).
- The language revising the distribution of oversize and overweight permits to the State Road Fund (page 4, line 19 of the bill) is strictly a technical fix for the convenience of MVD administration. That revenue is already distributed to the State Road Fund within Section 66-7-413 NMSA 1978.

OPJ/lg:yr