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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/06

SPONSOR Lujan, B LAST UPDATED _____ HB 441

AVIATION DIVISION COLLECTION

SHORT TITLE REVERSIONS SB _____

ANALYST Schardin

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	960.0	Recurring	State Aviation Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(960.0)	(2,004.0)	Recurring	General Fund
	960.0	2,004.0	Recurring	State Aviation Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 237.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

House Bill 441 creates a new distribution to the state aviation fund from gross receipts tax revenue that would otherwise go to the general fund. This distribution will be \$80 thousand per month FY07, \$167 thousand per month in FY08, and \$250 thousand per month in FY09 and beyond. These distributions will be used for planning and program administration, construction,

equipment, materials and maintenance of a system of airports, navigation aids and related facilities.

The effective date of these provisions is July 1, 2006.

FISCAL IMPLICATIONS

DOT’s analysis of House Bill 441 includes both direct impacts and indirect, or dynamic, impacts that were estimated using the REMI model.

Direct Fiscal Impact: The bill creates a new monthly distribution to the state aviation fund from gross receipts tax collections that are distributed to the general fund under current law. The distribution will total \$960 thousand in FY07, \$2.0 million in FY08, and \$3 million in FY09 and beyond. All money in the state aviation fund is automatically appropriated to the Aviation Division of DOT.

Indirect Fiscal Impact: Additional federal matching funds generated by this bill will be used for airport construction. While state funds will only pay about 2.5 percent of construction costs, the effective gross receipts tax rate in municipal areas is 3.775 percent. This means the state could actually make more money through the gross receipts tax on airport construction than it spends to secure the additional federal match. In addition to increased gross receipts tax revenues, the REMI model suggests personal income tax collections will increase due to higher wages and salaries generated by airport construction activity.

The table below incorporates both the direct and indirect impacts of House Bill 441. Including REMI analysis suggests that the bill will actually have a positive impact on both general fund revenue and the state aviation fund.

	FY07			FY08			FY09		
	Direct Impact	Dynamic Impact	Total Impact	Direct Impact	Dynamic Impact	Total Impact	Direct Impact	Dynamic Impact	Total Impact
General Fund	-960.0	1,561.4	601.4	-2,004.0	2,207.0	203.0	-3,000.0	3,453.6	453.6
State Aviation Fund	960.0	0.0	960.0	2,004.0	0.0	2,004.0	3,000.0	0.0	3,000.0

SIGNIFICANT ISSUES

According to DOT, House Bill 441 will help leverage additional matching funds from the Federal Aviation Administration (FAA) for use on statewide airport construction projects. These airport construction projects need only 5 percent in combined state and local funds to earn a 95 percent federal match.

In FY05, New Mexico received about \$2.3 million in FAA matching funds, the lowest amount of all states in the FAA’s southwestern region (Arkansas received \$22.3 million, Louisiana received \$51.5 million, Oklahoma received \$21.3 million, and Texas received \$96.7 million).

DOT reported that New Mexico’s airport infrastructure, excluding the Albuquerque Sunport, needs over \$248 million in improvements between FY03 and FY07. Currently, these projects are only being addressed with about \$16 million per year, so the backlog is growing.

Another consideration is that states that dedicate a reliable revenue stream to aviation improvements may be considered by the FAA for block grant status, which leads to significantly higher federal funding. Texas, which received \$96.7 million in FAA matching funds in FY05, is currently the only block grant state in the southwestern FAA region.

EDD notes that this bill will allow small airports in New Mexico to continue to improve their infrastructure, systems and equipment, and navigation aids in order to better serve the communities throughout the state.

PERFORMANCE IMPLICATIONS

DOT notes that the FAA currently ranks New Mexico as a “poor performer” in terms of providing airport infrastructure. Without dedicating funding to aviation infrastructure, it will be difficult for New Mexico to increase its performance ranking and attract additional federal funding.

ADMINISTRATIVE IMPLICATIONS

DFA notes that DOT’s Aviation Division currently has seven FTE, and that an influx of funding provided by this bill may require additional FTE.

OTHER SUBSTANTIVE ISSUES

The bill changes the requirement in Section 64-1-15(B) NMSA 1978 that all state aviation fund expenditures be made in accordance with budgets approved by DFA so that approval will be given by DOT. DFA is concerned about this change because of recent findings that state road fund revenue for the “100 percent state” construction program was not used exclusively for that purpose.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

DOT suggests that New Mexico’s backlog of airport improvement projects will continue to grow, and the state’s construction sector will not benefit from the stimulus of federal matching funds available for airport construction.

SS/mt