F I S C A L   I M P A C T   R E P O R T

SPONSOR Berry | **ORIGINAL DATE** 1/22/08 | **LAST UPDATED** 1/29/08 | **HB** 197/aHTPWC

Highway Project Gross Receipts to Road Fund | **SB**

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	20,248.7	19,128.6	Recurring	State Road Fund
	(20,248.7)	(19,128.6)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates SB235

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

No Response Received From
Department of Transportation (DOT)

SUMMARY

Synopsis of HTPWC Amendment

The House Transportation and Public Works Committee amendment directs that the new distribution to the state road fund created in the bill will be applicable to revenue earned on a modified accrual basis after June 20, 2008. This provision eliminates the bill's FY08 fiscal impact.

Synopsis of Original Bill

House Bill 197 amends section 7-1-6.10 NMSA 1978 to create a new distribution from the general fund to the state road fund. Each month, the distribution will equal 1/12 of the amount of state gross receipts tax paid in the prior fiscal year by the Department of Transportation on contracts for maintenance, design or construction of state highways. The bill provides that DOT will certify the amount of gross receipts tax paid on such projects in the prior fiscal year by July 10 of each year.

Further, the bill provides that revenues distributed to the road fund pursuant to this new construction gross receipts tax provision must be used only for public highway maintenance, construction and improvement.

The effective date of the provisions is July 1, 2008 (see Technical Issues).

FISCAL IMPLICATIONS

TRD estimates that DOT contracts for maintenance, design or construction of state highways will total $394.2 million in FY09 and $324.3 million in FY10. The road fund distribution from this gross receipts tax provision is expected to be $20.2 million in FY09 and $19.1 million in FY10.

This bill provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions, as earmarking reduces the ability of the legislature to establish spending priorities.

Because most state highway projects occur outside municipalities, the state will usually collect five percent gross receipts tax on the affected contracts and distribute the same amount it collected to the road fund. However, when state highway projects occur within municipalities, the state will collect only 3.775 percent and still distribute 5 percent to the road fund because municipalities receive 1.225 percent of the state rate. This effect on general fund revenue will be small except when the state undertakes major highway projects within a municipality, such as the Coors interchange or the "Big I" at the intersections of Interstates 40 and 25 in Albuquerque.

SIGNIFICANT ISSUES

This bill is recommended by the HM35 Infrastructure Task Force which met in the interim to investigate transportation infrastructure priorities and revenue requirements. More information about the task force recommendations can be found at the DOT website: http://www.nmshtd.state.nm.us/upload/images/Final%20Report%20NM%20Transportation%20Futures%20Task%20Force%20Report%20Nov%2015%202007.pdf.

According to the Department of Transportation, slow-growing revenues and high project cost inflation have challenged the department's ability to serve the state's growing transportation needs. According to the Final Report of the House Memorial 35 Study, after adjusting for inflation and population growth, New Mexico dedicates 23 percent less to transportation funding than it did 20 years ago. The report also states that about 15 percent of state highways and 16 percent of state bridges are currently in poor condition.

PERFORMANCE IMPLICATIONS

Transportation infrastructure enables a state's economy to grow and allows safe transportation of people and goods. DOT reports that the state's economy will suffer if transportation infrastructure continues to deteriorate.

ADMINISTRATIVE IMPLICATIONS

Each fiscal year prior to July 10, DOT will be required to certify the amount of gross receipts tax revenue paid in the prior fiscal year on certain contracts. The bill will impose no significant administrative impact on TRD.

DUPLICATION

House Bill 197 duplicates Senate Bill 235.

TECHNICAL ISSUES

The bill could also be amended so that only 3.775 percent of the 5 percent gross receipts tax would be transferred to the state road fund for contracts in municipalities. This would insulate the general fund from losing more revenue than is actually paid on construction contracts.

SS/bb