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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/08

SPONSOR Leavell LAST UPDATED _____ HB _____

SHORT TITLE Motor Vehicle Suspense Fund Distributions SB 392

ANALYST Earnest

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Non-Rec | Fund Affected |
|-------------------|-----------|-----------|-------------------------|------------------------|
| FY08* | FY09 | FY10 | | |
| \$85.8* | \$1,029.9 | \$1,040.2 | Recurring | Municipal Fee Agents |
| (\$64.1)* | (\$768.8) | (\$776.5) | Recurring | State Road Fund |
| (\$21.8)* | (\$261.1) | (\$263.7) | Recurring | Local Govt (66-6-23.1) |

(Parenthesis () Indicate Revenue Decreases)

Source: TRD

* The Fiscal Year 2008 impact results from the July 1, 2008, effective date of the bill, making the fee agent distribution change apply to the July 2008 distribution of June 2008 tax receipts. Motor vehicle fee revenues are accrued on a 30-day modified accrual basis (one month prior to cash transfers to a recipient).

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Department of Finance and Administration (DFA)
 Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

Senate Bill 392 increases the supplemental distribution from the Motor Vehicle Suspense Fund made to a municipality, county or fee agent operating a motor vehicle field office that conducted 10,000 or more transactions in the preceding fiscal year from \$1.00 for each driver's license, identification card, motor vehicle registration, motorboat registration or title transaction performed to \$5.00 for each transaction performed. The bill carries an effective date of July 1, 2008.

FISCAL IMPLICATIONS

According to TRD, FY07 distributions of the current \$1 amount to 9 municipal fee agents that processed 10,000 or more transactions (those specified in the bill) totaled \$228,271. This FY07 amount is assumed to grow by 1% per year for 2 years to derive an estimate of FY09 transactions. In addition, two new recipients are projected to reach the 10,000 transaction threshold (Tijeras and Kirtland AFB). These totals were multiplied by \$4 (i.e., the increase from \$1 to \$5 proposed in this bill) to obtain the fiscal impact. The \$4 per transaction is paid out of the Motor Vehicle Suspense Fund balance. This suspense fund is distributed to the State Road Fund (74.65%) and Local Government (25.35%) entities pursuant to Section 66-6-23.1 NMSA 1978.

A table of the 11 fee agents impacted by this bill is below:

| <u>Fee Agent</u> | <u>CURRENT \$1 Distrib FY2007</u> | <u>FISCAL IMPACT Additional \$4 Distrib Full Year (FY2009)</u> |
|------------------------------------|---|--|
| Eddy Co / Artesia | 19,254 | 78,564 |
| Lovington | 20,824 | 84,970 |
| Hobbs | 40,110 | 163,665 |
| Sunland Park | 30,282 | 123,563 |
| Bloomfield | 23,670 | 96,583 |
| Aztec | 22,085 | 90,116 |
| Deming | 28,056 | 114,480 |
| Rio Rancho | 31,614 | 129,998 |
| Bernalillo | 12,376 | 50,499 |
| Tijeras | none | 40,552 |
| Kirtland AFB | none | 57,916 |
| TOTAL Local Govt Fee Agents | 228,271 | 1,029,905 |

Source: TRD

SIGNIFICANT ISSUES

Several municipal field agent offices, including Hobbs and Rio Rancho, have raised concerns that the reimbursements for running the MVD office do not adequately cover the costs. This bill seeks to rectify that by increasing reimbursements to the municipalities to cover their costs.

This bill continues to exclude a class A county with a population exceeding 300,000 or a municipality with a population exceeding 300,000 from the supplemental distribution. Bernalillo County is the only county and Albuquerque is the only municipality that meets these parameters.

DOT notes this particular bill, in order to enhance revenues for MVD fee agents, alters fee distribution in a way that reduces the revenues to NMDOT. A solution may require some increase to the fees to the public, which an agency requiring additional revenue may have to propose as opposed to taking from a sister agency. Under the Alternatives section of this analysis, NMDOT proposes other means for MVD to achieve its revenue needs while holding NMDOT revenues neutral.

TECHNICAL ISSUES

TRD notes the following technical Issues:

Under this bill's proposed distribution of revenue, the amount of money disbursed in connection with a four-year driver's license transaction (65 percent of all licenses issued by MVD are for four years) exceeds the money collected on the transaction.

- Money collected is \$18 -- \$10 License Fee + \$3 Enhanced DL Fee + \$3 Driver Safety Fee + \$2 Admin Fee.
- Money distributed would be \$19 -- \$12.50 to Fee Agents (\$6 for fee agent processing + \$5 extra per this bill + \$1.50 Admin Fee) + \$ 3 Enhanced DL Fee to MVD + \$3 to Driver Safety + \$0.50 remaining portion of Admin Fee distributed through Section 66-6-23.1 to the State Road Fund and Local Governments.

In the case of a one-year Vehicle Registration, the fee agent would receive \$11.50 -- \$5 for fee agent processing + \$5 extra (per this bill) + \$1.50 Admin Fee). The \$10 fee agent reimbursement (apart from normal administrative fees) would amount to approximately 19% of an average vehicle registration fee of \$53.

BE/bb