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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/12
LAST UPDATED 02/16/12 **HB** 290/aHAFC/aHF1#1

SPONSOR Lundstrom

SHORT TITLE Motor Vehicle Tax To Road Fund **SB** Walker-
ANALYST Moran/Soderquist

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
\$3,333.0	\$0.0	Nonrecurring	DOT District 1 (Operating)
\$3,333.0	\$0.0	Nonrecurring	DOT District 2 (Operating)
\$3,333.0	\$0.0	Nonrecurring	DOT District 3 (Operating)
\$3,333.0	\$0.0	Nonrecurring	DOT District 4 (Operating)
\$3,333.0	\$0.0	Nonrecurring	DOT District 5 (Operating)
\$3,333.0	\$0.0	Nonrecurring	DOT District 6 (Operating)

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY12	FY13	FY14		
\$0.0	(\$12,000.0)	\$0.0	Nonrecurring	General Fund
\$0.0	\$12,000.0	\$0.0	Nonrecurring	Road Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 49 and SB 271

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HFI#1 Amendment

The House Floor #1 Amendment changes the distribution from the motor vehicle suspense fund to the Road Fund to twelve million (\$12,000,000) rather than a percentage. The remaining will be distributed to the general fund.

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 290 makes the effective date of the legislation fiscal year 2013.

Synopsis of Original Bill

House Bill 290 amends section 7-14-10 NMSA 1978 to distribute 16.67 percent of the motor vehicle suspense fund to the Road Fund for one year only in FY14 and 83.33 percent to the general fund. Under current law, 100 percent is distributed to the general fund.

The bill also adds a section to appropriate \$20.0 million from the state road fund to the Department of Transportation (DOT) to be equally distributed amount the department's six highway construction districts for district priority projects. Any unexpended or unencumbered balances at the end of FY14 will revert to the state road fund. The effective date of this bill is fiscal year FY13.

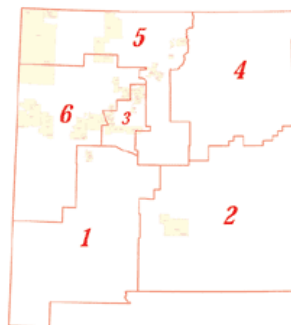
FISCAL IMPLICATIONS

This bill may be counter to the LFC tax policy principle of adequacy. According to the LFC staff General Fund Recurring Appropriation Outlook for FY14 and FY15, December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations.

As reported in the "December 2011 Consensus Revenue Estimate," total motor vehicle excise tax revenues in FY 2013 are forecast at \$114.3 million. The amended bill will distribute \$12 million of the Motor Vehicle Excise Tax to the State Road Fund.

The bill also appropriates \$20.0 million from the Road Fund to be equally divided among the six highway construction districts at DOT. Each of the districts will receive \$3.3 million.

Transportation Districts



[District 1 - Deming and surrounding area](#)

[District 2 - Roswell and surrounding area](#)

[District 3 - Albuquerque and surrounding area](#)

[District 4 - Las Vegas and surrounding area](#)

[District 5 - Santa Fe and surrounding area](#)

[District 6 - Grants/Milan and surrounding area](#)

SIGNIFICANT ISSUES

NMDOT balances expenditures to revenue as appropriated by the State Legislature. The cost of maintenance and construction has increased dramatically over the past five years as inflationary costs have impacted the materials, such as asphalt, concrete and fuel that are used in NMDOT services and products. Economic downturns have decreased state revenue incomes limiting these services and jeopardizing the sustainability of the highway infrastructure. Currently NMDOT estimates that routine highway maintenance gaps average around \$200 million per year, highway construction gaps average around \$300 million per year, and major improvement projects throughout the state are easily in the billions of dollars. The additional distribution would be prioritized within districts to protect the current state infrastructure investment through pavement preservation and further address critical safety projects that would provide the greatest impact to New Mexico taxpayers in each district.

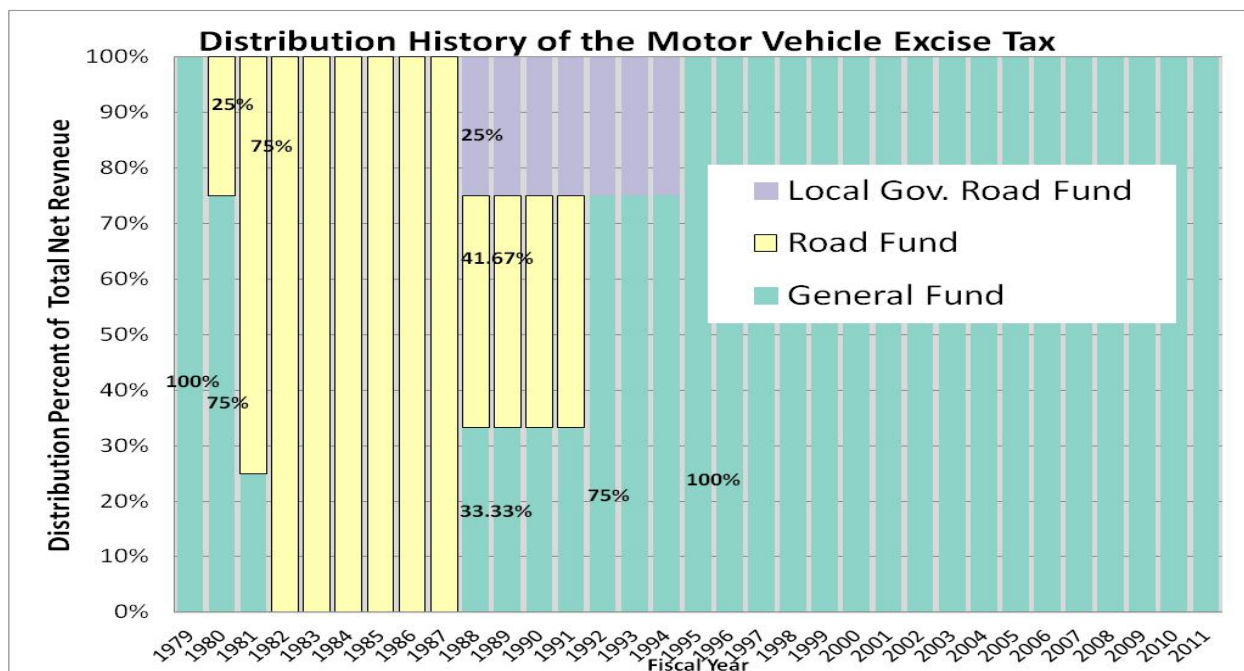
CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 290 is related to SB 74.

HB 49, as amended, by the House Transportation and Public Works Committee is similar to this bill; it would distribute 16.67% of Motor Vehicle Excise Tax revenue to the Road Fund but not until FY 2016.

OTHER SUBSTANTIVE ISSUES

Per DOT: From FY 1981 through FY 1987 the Road Fund received 100% of Motor Vehicle Excise Tax revenue. When the Motor Vehicle Excise Tax rate was increased by one percent in FY 1988 the Road Fund received 5/12th of the revenue (41.67%) until FY 1992. The graph below illustrates the distribution history.



Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

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