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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 03/01/13  
**SPONSOR** SIAC **LAST UPDATED** 03/14/13 **HB** \_\_\_\_\_  
 Public Peace, Health, Safety & Welfare -  
**SHORT TITLE** Gas Tax For Highway 491 **SB** CS/600/aSFI#1  
**ANALYST** Walker-Moran

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
	\$13,957.0	\$14,112.0	\$14,238.0	\$14,332.0	Recurring	Highway 491 Project Fund
	\$240.0	\$240.0	\$240.0	\$240.0	Recurring	Tribal Tax Sharing Agreements

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
 Department of Transportation (DOT)

### SUMMARY

#### Synopsis of SFI Amendment #1

The Senate Floor amendment #1 for the Senate Indian and Cultural Affairs Committee substitute for Senate Bill 600 clarifies that special fuel excise tax deductions are also applicable to the new Highway 491 special fuel surtax.

It also repeals the version of Section 7-16A-10, NMSA 1978 that was set to take effect on July 1, 2014 and instead replicates the same outcome by amending that Section 7-16A-10(H). The amendment allows SB 160 and this bill to be enacted without conflict.

#### Synopsis of Original Bill

The Senate Indian and Cultural Affairs Committee substitute for Senate Bill 600 creates a new distribution for the highway 491 project fund for 15 years. It also creates new gasoline and special fuel surtaxes of one cent per gallon. The bill would also require tribes to increase their fuel tax rates for the applicable time period in order to maintain their deduction status.

The bill also creates the highway 491 project fund. All balances from the fund at the end of any fiscal year shall revert to the state road fund for general highway projects and maintenance. The bill also creates the highway 491 project bonds. The New Mexico Finance Authority (NMFA) is authorized to issue highway 491 project bonds when directed by the state transportation commission. The outstanding principal amount of bonds issued shall not exceed \$123 million.

The distribution to the highway 491 project fund applies to receipts from the highway 491 gasoline surtax and the highway 491 special fuel surtax that are attributable to sales subject to those taxes on or after July 1, 2013.

The effective date of this bill is from July 1, 2013 through June 30, 2028.

### **FISCAL IMPLICATIONS**

The DOT estimated the fiscal impact as follows: This bill would create the following projected revenue for a fifteen year period and does not include earnings or investments (in thousands). Initially, the one cent gasoline surtax would generate \$8.9 million per year, and the one cent special fuel surtax would generate \$5.1 million per year.

<b>Revenue generated from a one-cent increase in the gasoline and special fuels surtax</b>					
(in thousands of dollars)					
FY14	\$13,957	FY19	\$14,526	FY24	\$14,136
FY15	\$14,112	FY20	\$14,480	FY25	\$14,055
FY16	\$14,238	FY21	\$14,386	FY26	\$13,976
FY17	\$14,332	FY22	\$14,308	FY27	\$13,892
FY18	\$14,458	FY23	\$14,246	FY28	\$13,828

This bill creates a new fund and provides for continuing distributions. The Legislative Finance Committee (LFC) has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

### **SIGNIFICANT ISSUES**

Current revenue for state road funds, even when combined with federal funds, is insufficient to address needs critical to the economic welfare of the state. The DOT economic analysis suggests state road funds will be negatively impacted even further as a result of an increase in fuel-efficient vehicles. According to the DOT, there are currently at least \$1.5 billion in unfunded construction needs across the state, including a routine maintenance gap of approximately \$225 million, structurally deficient bridge repair needs of \$250 million, and heavy equipment replacement needs of \$150 million. Further, there are downtown “main street” reconstruction funding needs of approximately \$340 million and major investment project and interchange funding needs of approximately \$425 million. GRIP projects that have been deferred for lack of funding total \$390 million. Although other states are exploring options to address similar problems, the Department is not currently considering plans for additional revenue sources.

## ADMINISTRATIVE IMPLICATIONS

The DOT would be responsible for administering, developing and constructing the projects specified under this bill. The STC would be responsible for directing the NMFA to issue additional bonds for the Highway 491 project.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 604 and SB 527 also increase fuel tax rates. SB 160 and HB 626 amend the same sections.

## OTHER SUBSTANTIVE ISSUES

According to the Taxation and Revenue Department (TRD), this bill increases total state gasoline and special fuels taxes by one cent for 15 years, and provides that during that time, tribes must also increase their tribal tax rates by one cent to continue qualifying for their deductions at 100 percent. If they do so, their taxes would generate an additional \$600 thousand annually.

## WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The DOT would continue to develop and prioritize construction projects to include U.S. 491 through its established Statewide Transportation Improvement Plan (STIP) process, which could take an indefinite period to estimate as it would be competing with other statewide priorities.

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

EWM/blm:svb