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FISCAL IMPACT REPORT

ORIGINAL DATE 2/26/19

SPONSOR Smith LAST UPDATED _____ HB _____

SHORT TITLE Gas Tax to Road Fund & Local Gov't. SB 506

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21	FY22	FY23		
\$0.0	*	\$18,208.0	\$17,901.0	\$17,599.0	Recurring	Municipalities and Counties Fund - (excl. P&I)
\$0.0	*	\$59.0	\$58.0	\$57.0	Recurring	State Aviation Fund
\$0.0	*	\$20.0	\$19.0	\$19.0	Recurring	Motorboat Fuel Tax Fund
\$0.0	*	\$19.0	\$18.0	\$18.0	Recurring	County Government Road Fund
\$0.0	*	\$19.0	\$18.0	\$18.0	Recurring	Municipal Roads Fund
\$0.0	*	\$15.0	\$15.0	\$15.0	Recurring	Municipal Arterial Program of Local Governments Road Fund
\$0.0	*	\$12,076.0	\$12,165.0	\$12,256.0	Recurring	Local Governments Road Fund
\$0.0	*	\$1,200.0	\$1,200.0	\$1,200.0	Recurring	Tribal Tax Sharing Agreements (Pueblo of Santo Domingo and Nambe)
\$0.0	*	\$44,023.0	\$43,697.0	\$43,383.0	Recurring	State Road Fund
\$0.0	*	\$75,639.0	\$75,091.0	\$74,565.0	Recurring	TOTAL

Parenthesis () indicate revenue decreases

* This estimate assumes the bill will take effect at the beginning of FY21. See “fiscal implications” and “technical issues” section for more information.

Conflicts with HB 6, HB 609, SB 393, SB 421, and SB 504.

SOURCES OF INFORMATION

LFC Files

Responses Received From
Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

Senate Bill 506 increases the gasoline tax by five cents per gallon (from 17 cents to 22 cents), and increases the special fuels tax by five cents per gallon (from 21 cents to 26 cents).

The bill's effective date is contingent on the "enactment of a federal transportation funding bill by the United States congress that provides funding for highway infrastructure in the state and that requires the state to provide a fifty percent or greater funding match"; the enactment of this federal funding bill on or before January 1, 2021; and a certification done by the secretary of transportation that this federal funding bill has come into effect.

Of the five cents increase in the gasoline tax, the bill distributes 3 cents to the state road fund and 2 cents to municipalities and counties. The bill also changes the distribution of gasoline tax revenue to municipalities and counties under Section 7-1-6.9 NMSA 1978 to 66.7 percent allocated to municipalities and 33.3 percent to counties. Under current law, the distribution is 90 percent and 10 percent between municipalities and counties.

Of the five cents increase in the special fuels excise tax, the bill distributes 3 cents to the state road fund and 2 cents to the local governments road fund.

FISCAL IMPLICATIONS

Contingent on the enactment of the aforementioned federal transportation funding bill and assuming that the SB 506 comes into effect at the beginning of FY 2021, this bill would annually distribute about \$44 million in additional revenues to the state road fund, about \$18 million in additional revenues to municipalities and counties, and about \$12 million in additional revenues to the local governments road fund. This revenue estimate is based on the January 2019 State Road Fund estimates, and is based on the assumption that the tax increases do not modify the price elasticity demand for gasoline and special fuels.

According to the Department of Transportation (DOT), the bill would increase the overall state road fund revenues by about 10 percent, the gasoline tax revenue distribution to municipalities and counties by about 113 percent and the special fuel excise tax revenue distributed to the Local Governments Road Fund by 100 percent. All other funds are held harmless.

If the gasoline tax increase occurs, the Pueblos of Santo Domingo and Nambe will each receive an additional \$50,000 each per month, pursuant to the gasoline tax sharing agreements specifying they are entitled to receive an amount equal to 40 percent of the net receipts attributable to the gasoline tax paid to NMDOT on 2.5 million gallons of gasoline each month.

SIGNIFICANT ISSUES

The last increase in the state gasoline tax occurred in 1993, when the tax was raised from \$0.16 to \$0.22 per gallon. It has since been reduced twice to the current rate of \$0.17 per gallon. The special fuels tax rate was last increased in 2003, when it was raised from \$0.18 per gallon to its present rate of \$0.21 per gallon. New Mexico fuel taxes are lower than in surrounding states and lower than the national average.

Gasoline prices fluctuate with crude oil prices. However, gasoline tends to be a relatively inelastic product in that price fluctuations do not tend to significantly increase or reduce demand. As such, the revenues resulting from passage of this bill would likely remain consistent regardless of changes in prices at the pump.

Local governments are responsible for the maintenance, repair and construction of approximately 44,000 miles of roads compared to 30,000 miles of roads for which the state is responsible.

ADMINISTRATIVE IMPLICATIONS

Implementation of this bill will likely have a high impact on the Taxation and Revenue Department's Information and Technology Division, taking about 11 months to implement.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Similar to and conflicts with HB 6 and SB 421, both of which increase gasoline tax and special fuel excise tax rates by 10 cents and 5 cents, respectively. Both the bills distribute part of the additional revenue to municipalities and counties for maintenance of existing roads, and to the newly created state road maintenance fund.

Similar to and conflicts with SB 504 and HB 609, which increase gasoline tax rate by 10 cents and special fuels excise tax rate by 6 cents and distributes the additional revenue to municipalities and counties for maintenance of existing roads, and to the newly created state road maintenance fund.

Conflicts with SB 393, which imposes a gasoline surtax of up to 45 cents per gallon by FY24.

TECHNICAL ISSUES

The DOT analysis provided the following:

Currently, the Fixing America's Surface Transportation (FAST) Act is the infrastructure plan that establishes the funding match percentages that the states should provide. The FAST Act is an infrastructure plan, not a federal transportation funding bill. In the last several years, federal highway infrastructure programs have been funded by continuing resolutions.

Assuming the intent of this bill is to provide additional money to the state road fund and local governments that apply for federal funds (if the federal government increases the funding match percentages to fifty percent or higher), this bill, as currently written, will not take effect if the new percentages are not established in a federal transportation funding bill.

DOT suggests generalizing the bill language by making the following changes to the bill:

In Section 10, (page 10 line 23) change "... [funding bill by the United States congress] ..." to specify "...infrastructure plan...".

In Section 10, (page 11, line 2) change "... [funding] ..." to specify "...infrastructure plan...".

In Section 10, (page 11, line 5) change “... [funding bill] ...” to specify “...infrastructure plan...”.

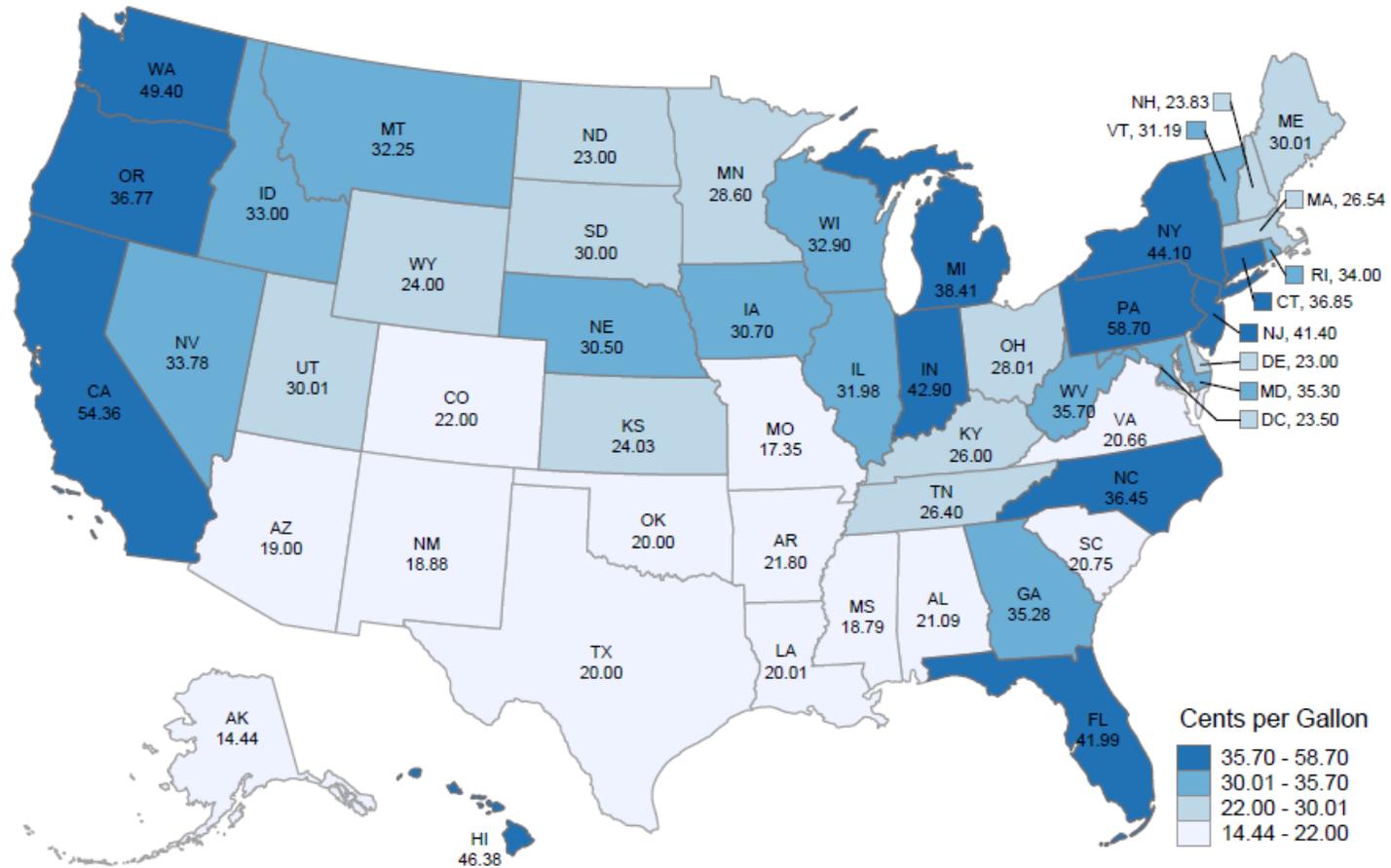
Does the bill meet the Legislative Finance Committee tax policy principles?

- 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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ATTACHMENT A

Gasoline Motor Fuel Taxes per Gallon as of January 1, 2019

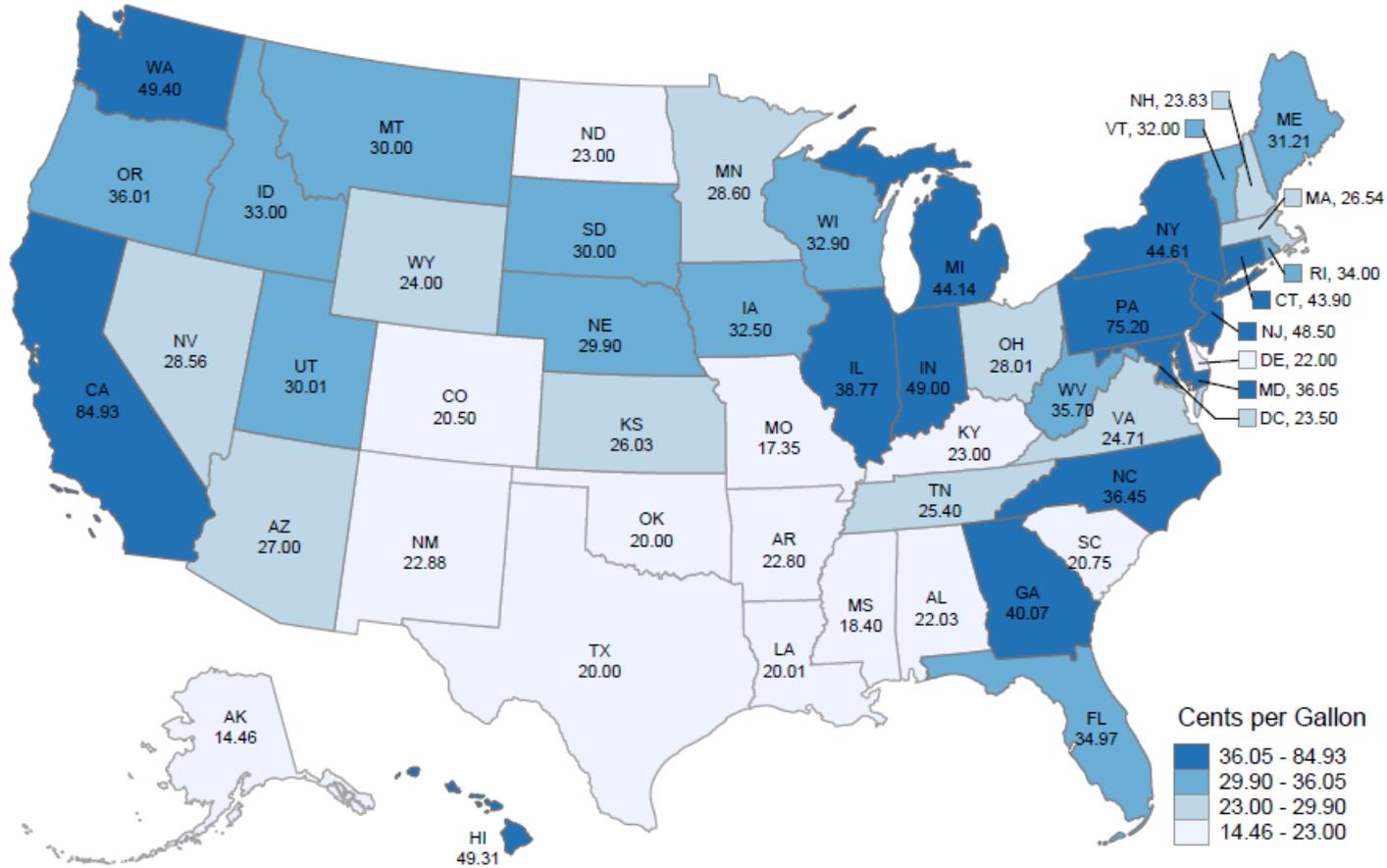


Note: NMDOT's elaboration on American Petroleum Institute data

The Federal Excise Tax on Gasoline is 18.4 cents per gallon

ATTACHMENT B

Diesel Motor Fuel Taxes per Gallon as of January 1, 2019



Note: NMDOT's elaboration on American Petroleum Institute data

The Federal Excise Tax on Diesel is 24.4 cents per gallon