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FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Kernan/Gonzales	**ORIGINAL DATE**	2/19/23
SHORT TITLE	Motor Vehicle Excise Tax Distributions	**BILL NUMBER**	Senate Bill 184
		ANALYST	Torres

REVENUE* (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY23	**FY24**	**FY25**	**FY26**	**FY27**		
	($164,600)	($167,700)	($173,900)	($178,400)	Recurring	General Fund
	$105,710	$107,670	$111,690	$114,540	Recurring	Road Fund
	$58,930	$59,960	$62,200	$63,880	Recurring	Transportation Project Fund (local governments)

Parenthesis ( ) indicate revenue decreases
*Amounts reflect most recent version of this legislation.

Sources of Information

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Transportation (DOT)
Municipal League

SUMMARY

Synopsis of Senate Bill 184

Senate Bill 184 (SB184) amends Section 7-14-10 NMSA 1978 to remove the distribution of the Motor Vehicle Excise tax (MVX) to the general fund and increase the distributions to the state road fund and the transportation project fund (which funds local road projects). Current distributions and proposed distributions are illustrated in the following table:

Fund	Current Distribution of MVX	SB184 Proposed Distribution of MVX
General Fund	59.39%	0%
State Road Fund	21.86%	60%
Transportation Project Fund	18.75%	40%

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

The December 2022 Consensus Revenue Estimate was used for the forecasted costs on page 1. SB184 would distribute to the state road fund an additional $106 million in FY24, and an additional $108 - $112 million in FY25 onwards. As a result of that increase, the state road fund would receive MVX revenue totaling about $165-175 million per fiscal year, making MVX the largest revenue source for the state road fund.

SB184 would also distribute to the transportation project fund an additional $59 million in FY24, and an additional $60 - $63 million in FY25 onwards.

On the contrary, the State general fund revenue would be reduced by $165 million in FY24, and by about $168-175 million, in each of the following fiscal years.

This bill expands an earmark. LFC has concerns with including distributions of revenues in the statutory provisions because earmarking reduces the ability of the Legislature to establish spending priorities.

SIGNIFICANT ISSUES

Directing all MVX revenue to the state road fund and local governments road funds could be considered a user-fee supported spending program. Since the cost of maintaining roads is tied to vehicle sales which contribute to road deterioration, the maintenance of roads from the tax on the sale of vehicles passes on the cost of maintaining roads to those using them.

This proposal would eliminate a recurring general fund revenue source, reducing the Legislature's budgetary flexibility with respect to the broad appropriation needs of the general fund in future years. In FY22, MVX revenue made up 1.5 percent of all general fund recurring revenue.

The Municipal League adds:

> According to the TRIP report, New Mexico has over $5 billion in unfunded project backlogs[1] and approximately 56 percent of the state's major roads and highways are in poor or mediocre condition.
>
> Current growth in the roads funds is slow and insufficient to meet construction and maintenance needs. Motor vehicle excise tax revenue is a relatively stable and growing revenue source, making it a more favorable funding source for roads than gasoline tax (a flat $0.17 per gallon).
>
> Inadequate road funding has a direct impact on New Mexicans' finances, especially for lower-income New Mexicans. New Mexico's poor road quality costs drivers over $2,000 annually, over 4 percent of median household income.[2]

[1] Source: TRIP Report, 2022
[2] Source: TRIP Report, 2022

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