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FISCAL IMPACT REPORT

SPONSOR <u>Gonzales</u>	LAST UPDATED <u>1/26/24</u>
	ORIGINAL DATE <u>1/25/24</u>
SHORT TITLE <u>Motor Vehicle Tax Distributions</u>	BILL NUMBER <u>Senate Bill 184</u>
	ANALYST <u>Torres, Ismael</u>

REVENUE* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
Motor Vehicle Excise Tax		(\$166,400.0)	(\$171,200.0)	(\$176,900.0)	(\$182,700.0)	Recurring	General Fund
Motor Vehicle Excise Tax		\$148,889.0	\$153,183.0	\$158,284.0	\$163,473.0	Recurring	State Road Fund
Motor Vehicle Excise Tax		\$17,511.0	\$18,017.0	\$18,616.0	\$19,227.0	Recurring	Transportation Project Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bill 65

Sources of Information

LFC Files

Agency Analysis was Solicited but Not Received From
 Taxation and Revenue Department (TRD)
 Department of Finance and Administration (DFA)
 Department of Transportation (NMDOT)

SUMMARY

Synopsis of Senate Bill 184

Senate Bill 184 (SB184) changes the distribution of the motor vehicle excise tax as follows:

	Current Law	Proposed FY25 and Beyond
General Fund	59.39%	0.00%
State Road Fund	21.86%	75%
Transportation Project Fund	18.75%	25%

The effective date of this bill is July 1, 2024.

FISCAL IMPLICATIONS

SB184 diverts or “earmarks” a source of revenue, representing a recurring loss from the general fund from the motor vehicle excise tax and increased recurring revenues for the state road fund and transportation project fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities. The distribution of the motor vehicle excise tax was determined using the December 2023 consensus revenue estimate to determine gross collections and new distributions.

SIGNIFICANT ISSUES

The bill seeks to address the need for infrastructure investment identified by the Department of Transportation (NMDOT). NMDOT’s operating budget primarily comes from two sources: formula funding from the U.S. Department of Transportation and revenue from gasoline and diesel taxes, fees on commercial trucking, and vehicle registration fees deposited into the state road fund. For several years, these revenues grew at a slow pace, with any additional revenue largely offset by increasing costs. Between FY14 and FY21, annual revenue into the state road fund grew by an average of 2.3 percent. Recent passage of the federal Infrastructure Investment and Jobs Act and state legislation dedicating a portion of the motor vehicle excise tax to the state road fund led to increased resources for state roads between FY21 and FY24, but NMDOT is projecting slower growth in the future. Additionally, since 2019, the Legislature has appropriated \$1.2 billion in nonrecurring general fund revenue for state road projects, including funds for road maintenance, new road construction, bridge replacement, and other projects.

Despite significant increases in state and federal funding for road projects, the department has reported a significant need to fund currently unfunded road projects across the state. Notably, the department reports many high-cost projects, in part due to recent increases in construction costs. According to the Federal Highway Administration, highway construction costs are up by 46 percent from FY20, reflecting rising materials and labor costs seen across many industries.

PERFORMANCE IMPLICATIONS

The conditions of state roads are key performance measures for NMDOT’s performance-based budget. NMDOT assesses all New Mexico roads each calendar year using a pavement condition rating (PCR) score to measure roadway conditions. A PCR score of 45 or less indicates a road in poor condition. In 2022, the average PCR score for the state was 65.9, down from the average 2021 score of 72.1, but up from the average 2020 score of 54.9. The number of lane miles with a rating of below 45 fell from 6,805 in 2020 to 2,824 in 2022.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate bill 65 also seeks to redistribute motor vehicle excise taxes, however with differing percentages. In SB65, the proposed distributions are 60 percent to the state road fund and 40 percent to the transportation project fund.