

REVENUE STABILIZATION AND TAX POLICY COMMITTEE

REPORT ON AGENCY EFFICIENCIES TO THE GOVERNMENT RESTRUCTURING TASK FORCE October 14, 2010

The Revenue Stabilization and Tax Policy Committee (RSTP) was requested by the Government Restructuring Task Force (GRTF) to review several agencies and to suggest efficiencies or actions that might be taken to improve the effectiveness of each agency. The agencies reviewed were the Taxation and Revenue Department (TRD), the Department of Transportation (DOT) and the Motor Transportation Division (MTD) of the Department of Public Safety (DPS). The findings of the RSTP follow.

The common thread running through these agencies is the revenue collection and administration of funds, some of which, as in the case of the DOT, are not appropriated from the general fund. At this time of diminished revenue and lack of enthusiasm for raising taxes or fees, maximizing the collection of revenues that are due to the state should be of primary concern to those whose mission it is to ensure that essential state services are preserved.

The RSTP, therefore, suggests that the revenue collection capabilities of the TRD and the MTD be preserved and encouraged by whatever means are available to the legislature. As for the DOT, the RSTP finds that failure to maintain and repair the highway and transportation infrastructure in New Mexico will only shift the burden of cost into the future, when costs of those activities and the materials required will be greater and will therefore present an even greater challenge to meet. In addition, the RSTP suggests that the GRTF make every effort to limit its suggestions on restructuring to what can be demonstrated to have measurable revenue-saving purposes and that will produce changes that will improve state service delivery. In its efforts to save the state money and make effective changes, the RSTP has limited its suggestions to those changes that will increase revenue collection by the state or that might possibly improve service delivery.

All of the entities examined by the RSTP are currently under staffing restrictions and are unable to fill vacant positions due to those positions being frozen. The budget reductions of the last several years have been observed by the TRD and the MTD. The DOT, although not a general fund agency, has had to cut back on programs and services due to decreased revenue levels in the State Road Fund. Cutting these agencies further may eventually be necessary, but their abilities to collect and account for state revenues must be maintained so that the disposition of that revenue is accurately and expeditiously continued. Safety of state residents and others passing through the state must also be maintained, so it is necessary that services regulating motor vehicles and drivers and the maintenance of public highways be continued.

TRD

Suggested actions:

- Move all collection and auditing functions for the insurance premium tax to the TRD.
- Further embrace technology and use electronic filing of tax returns and withholding wherever possible.

- Continue to encourage more electronic renewal of licenses and registrations, with minimal need for face-to-face contact after the initial contact and with verification of titles and accuracy of applications.

The TRD ensures the maximum collection of revenues due to the state. The department consists mainly of divisions that support this purpose. Maintenance of staffing levels to perform audits, investigate delinquencies and manage the revenue collected so that it is appropriately distributed is essential. The department is the repository for data generated from taxes due to and collected in the state, without which there can be no oversight by the legislature of the revenues of the state. The department also includes the Motor Vehicle Division, whose main responsibility is to execute the statutes controlling licensing of drivers, registration and titling of vehicles using the public roadways and overseeing insurance requirements for vehicles and drivers. The TRD needs sophisticated, state-of-the-art technology to identify and track the many tax returns it processes and information it is responsible for maintaining.

DOT and State Transportation Commission

No suggestions were made regarding restructuring of the DOT, except for establishing toll roads to provide additional revenue for road maintenance. Revenue decline is expected due to greater fuel efficiency of cars and a shift from highway to rail shipping. This will increase demand for shipping on roads for shorter, mostly in-state deliveries. These shippers are among the least strictly controlled by the MTD and, therefore, appear to be paying less than their fair share of road taxes and permit fees.

MTD, DPS

The RSTP's concern regarding the MTD is that changes should maximize collection of revenue and the performance of highway patrol and police duties without disrupting or diminishing the capacity of the division to perform those duties. The division should not be mined for financial, personnel or other resources or assets by the DPS, which would leave the division less able to perform its essential functions and could put employees at risk due to inadequate security.

Suggestions to improve compliance with tax and fee requirements for commercial vehicles were generally limited to statutory changes that would consolidate the authority of the MTD. They include the following:

- Increase fines for overweight vehicle violations.
- Cross-train transportation inspectors to issue commercial and other driver's licenses at ports of entry.
- Eliminate the weight distance tax and apply the international registration plan for all commercial vehicles. This would increase the road taxes paid by intrastate commercial vehicles and reduce man-hours required to enforce the weight distance or trip tax.
- Authorize civilian transportation inspectors at ports of entry to issue civil citations for commercial vehicle violations.
- Return the K-9 division to the MTD for training, scheduling and use in drug interdiction efforts or other appropriate functions.