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FISCAL IMPACT REPORT

ORIGINAL DATE 2/1/19

SPONSOR Stewart **LAST UPDATED** _____ **HB** _____

SHORT TITLE Public Surplus Vehicle Sales & Donations **SB** 305

ANALYST Chabot

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	(\$350.0)	(\$350.0)	Recurring	State Road Fund
	(\$536.0)	(536.0)	Recurring	OSF

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$886.0	\$886.0	\$1,772.0		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB312, HB362
Conflicts with SB154

SOURCES OF INFORMATION

LFC Files

Responses Received From

Administrative Hearing Office (AHO)
New Mexico Attorney General's Office (NMAG)
New Mexico Department of Public Safety (DPS)
New Mexico Department of Transportation (NMDOT)

SUMMARY

Synopsis of Bill

NMAG assesses Senate Bill 305 amends Section 13-6-1, relating to the disposition of state-owned tangible personal property, to any state agency, local public body, school district, state educational institution, the surplus property bureau and the NM State Police, from selling surplus

motor vehicles to anyone other than a motor vehicle dealer or license recycler. The bill also restricts the advertising of any available surplus motor vehicle.

FISCAL IMPLICATIONS

NMDOT states SB305 prohibits the use of public auction by NMDOT to sell surplus motor vehicles. The agency has received the following revenues from motor vehicle auctions.

FY14	\$456,620
FY15	\$405,338
FY16	\$337,302
FY17	\$174,309
<u>FY18</u>	<u>\$372,930</u>
Average per year	\$349,299

Revenue from the sale of the surplus vehicles is transferred into the State Road Fund.

DPS has generated \$2.6 million over the past five years from sale of surplus years for an average of \$536 thousand per year.

Any revenue loss to DPS or NMDOT will need to be replaced by General Fund.

SIGNIFICANT ISSUES

NMDOT states its “general auction is held annually after the General Services Division is granted right of first refusal on surplus vehicles and after NMDOT negotiates sales with governmental entities pursuant to NMSA 1978, Section 13-6-1(D). NMDOT hires an auctioneer to conduct the public auction. The auctioneer receives an eight percent commission on the total sales from the auction. Average sales for the last five years from the public auction is approximately \$350,000 per year, which goes into the State Road Fund. NMDOT does not currently track the buyers of surplus vehicles, so current buyers could be private persons or 501(c)(3) organizations. As far as may be determined, NMDOT has not donated any vehicles to 501(c)(3) organizations. NMDOT is also unaware of any dealers purchasing vehicles from the public auction.

“The changes proposed in SB 305 could result in a significant financial burden on NMDOT by eliminating the public auction for sales of surplus vehicles. NMDOT cannot calculate exact losses to future revenue because it does not track the type of buyers of surplus vehicles at its public auction. However, it is likely that future revenue would be substantially less than current revenue if vehicle sales exclude private persons, because it is highly likely that most surplus vehicle sales are made to private persons through the public auction. Thus, the only way to calculate and estimate a reduction in revenue, is in the average revenue of \$349,299 for the fiscal years including FY14 through FY18.”

DPS concurs that there are major fiscal implications with the proposed changes to the disposal of vehicles in Section 2 – Item H (3). The New Mexico State Police relies heavily on the annual auction of retired patrol and undercover vehicles to augment the replacement of said vehicles and other police fleet related expenses. The vehicles are currently sold to private individuals and businesses, as dealers do not participate in our auctions due to the high mileage and extensive

wear-and-tear that police vehicles incur during patrol operations. Over the past five (5) fiscal years, 98.4 percent of the auction proceeds have resulted from the sale of autos to individuals which has provided NMSP with close to \$2.9 million to augment the replacement of police patrol, undercover vehicles, police fleet equipment and other police fleet related expenses.

GAC/gb/al