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FISCAL IMPACT REPORT

ORIGINAL DATE 2/24/19

SPONSOR Sanchez LAST UPDATED _____ HB _____

SHORT TITLE Gas, Fuel and Motor Vehicle Excise Taxes SB 609

ANALYST Iglesias

APPROPRIATION (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21	FY22	FY23		
\$0.0	\$300,000.0	\$0.0	\$0.0	\$0.0	Nonrecurring	General Fund

Parenthesis () indicate expenditure decreases

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21	FY22	FY23		
\$0.0	\$428,732.0	\$129,642.0	\$54,277.0	\$0.0	Recurring	NEW Transportation Projects Reserve
\$0.0	\$65.0	\$43.0	\$50,243.0	\$86,609.0	Recurring	State Road Fund
\$0.0	\$1.0	\$1.0	\$25,768.0	\$44,234.0	Recurring	Local Governments Road Fund
\$0.0	\$5.0	\$6.0	\$4,657.0	\$6.0	Recurring	General Fund
\$0.0	\$19.0	\$18.0	\$18.0	\$18.0	Recurring	Municipalities and Counties Fund - (excl. P&I)
\$0.0	\$19.0	\$18.0	\$18.0	\$18.0	Recurring	State Aviation Fund
\$0.0	\$19.0	\$19.0	\$19.0	\$18.0	Recurring	Motorboat Fuel Tax Fund
\$0.0	\$19.0	\$18.0	\$18.0	\$18.0	Recurring	County Government Road Fund
\$0.0	\$19.0	\$18.0	\$18.0	\$18.0	Recurring	Municipal Roads Fund
\$0.0	\$15.0	\$15.0	\$14.0	\$14.0	Recurring	Municipal Arterial Program of Local Governments Road Fund
\$0.0	\$1,200.0	\$1,200.0	\$1,200.0	\$1,200.0	Recurring	Tribal Tax Sharing Agreements (Pueblo of Santo Domingo and Nambe)
\$0.0	\$430,111.0	\$130,999.0	\$136,250.0	\$132,151.0	Recurring	TOTAL

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	\$208.0	\$0.0	\$0.0	\$208.0	Nonrecurring	Taxation and Revenue Department Operating

Parenthesis () indicate expenditure decreases

Conflicts with HB6, HB188, HB609, SB393, SB421, SB504, SB505, and SB506.
Related to HB612.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 609 appropriates \$300 million from the general fund in FY20 to a newly created Transportation Projects Reserve for the purpose of completing nine specific highway projects identified in the bill. The bill also increases the gasoline excise tax from 17 cents to 21 cents, increases the special fuels excise tax from 21 cents to 26 cents, and increases the motor vehicles excise tax (MVX) from 3 percent to 4 percent. New revenues from these tax increases are distributed to the new Transportation Projects Reserve until the fund balance reaches \$608 million – the amount identified for the bill’s nine highway projects – after which, the new revenues are split approximately 65 percent to the state road fund and 35 percent to the local government road fund. The effective date of this bill is July 2, 2019.

FISCAL IMPLICATIONS

Based on analysis from the Department of Transportation (NMDOT), the Taxation and Revenue Department (TRD), and LFC staff, this bill allocates to the Transportation Projects Reserve about of \$430 million in FY20, \$130 million in FY21, and \$55 million in FY22, when the transportation projects reserve is expected to reach the \$608 million threshold. This revenue estimate is based on the January 2019 state road fund estimates.

This funding is composed of a one-time appropriation of \$300 million in FY20 and revenue increases from the gasoline tax, special fuels tax, and MVX tax. The appropriation of \$300 million to the transportation projects reserve contained in this bill is a nonrecurring expense to the general fund. Annual revenue increases are about \$46 million from an additional 5 cent gasoline tax, about \$30 million from an additional 5 cent special fuels tax, and about \$55 million from an additional 1 percent MVX tax.

The bill distributes new revenue from these tax rate increases to the transportation projects reserve until the month following certification by the secretary of NMDOT that the total amount

in the reserve has reached \$608 million, the amount to be appropriated by the Legislature for the nine projects authorized in Section 14 of the bill.

The month in which the total amount in the transportation projects reserve would reach \$608 million, any excess money over the \$608 million threshold would revert to the General Fund. NMDOT estimates this threshold to be met in November of FY22 with an excess of \$4.7 million in revenues, which would revert to the general fund.

The month after the total amount in the transportation projects reserve reaches the \$608 million threshold, the new revenue is distributed as follows:

- 1) Of the 5 cents increase in gasoline tax, 2 cents go to the local governments road fund, and 3 cents are distributed to the state road fund;
- 2) Of the 5 cents increase in special fuel excise tax, 2 cents go to the local governments road fund, and 3 cents are distributed to the state road fund; and,
- 3) Of the 1 percentage point increase in MVX, 25 percent goes to the local governments road fund and 75 percent to the state road fund.

DOT estimates these distributions to begin in December 2022, with a full year’s impact beginning by FY23.

Beginning FY20, the Pueblos of Santo Domingo and Nambe would each receive an additional \$50 thousand 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. The annual total impact is \$1.2 million.

All the other beneficiaries of the gasoline tax are effectively held harmless.

This analysis assumes that fuel tax revenues are equally distributed over the 12 months in each fiscal year and ignores the seasonality over quarters. It is also based on the assumption that the tax increases do not modify the price elasticity of demand for gasoline and special fuels and will not reduce the demand for vehicles, consequently not reducing the MVX tax base.

SIGNIFICANT ISSUES

The nine highways projects identified in the bill are as follows:

Table 1: Transportation Highway Projects (dollars in thousands)

	Project Description	DOT District	Amount
1	NM 11 - Road widening and bridge replacement on 36 miles to improve access to port of entry and reduce traffic through Columbus and Deming	District 1	\$100,000.0
2	NM 213/NM 404 – Creation of a freight bypass and reconfiguration of the intersection of NM 404 and NM 213 to create a 4- lane tie-in to NM 213 to match Texas bypass.	District 1	\$40,000.0

3	US 285 - Reconstruction and improvements on 15 miles from north of Texas state line to Loving. Road carries heavy oil field traffic.	District 2	\$45,000.0
4	NM 31 - Construction of 22 miles of heavily trafficked oil field routes between US 285 and US 64.	District 2	\$70,000.0
5	NM 128 - Design and construction of 52 mile section of NM 128 from Jal to NM 31.	District 2	\$168,000.0
6	New Interchange: I-25 & NM 47 - Construction of a new interchange on I-25 one mile south of NM 6 and a new river crossing.	District 3	\$74,000.0
7	Paseo del Volcan – Expansion of Paseo del Volcan from US 550 to I-40 to create a truck rated bypass loop around Albuquerque.	District 3	\$83,000.0
8	Carbon Coal Rd & Intersection Chino Loop Rd/NM 491 - Carbon Coal Road is a 5.2 mile industrial access road accepted by McKinley County connecting US 491 to the Gallup Energy Logistic Park (GELP), a Burlington Northern Santa Fe (BNSF) certified site with approved rail service. This project also includes the US 491/ Chino Road alignment.	District 4	\$22,000.0
9	NM Hwy 602 – Reconstruction of 5 miles including turn lanes and deceleration lanes at 8 locations	District 4	\$6,000.0
TOTAL			\$608,000.0

All the above projects, except the \$6 million for improvement of NM602, are included in the Statewide Transportation Improvement Program (STIP). The STIP currently consists of 950 transportation projects, included in which are 91 bridge replacement and improvements projects and 222 road construction, reconstruction, and improvement projects. This bill would effectively prioritize the funding and completion of the nine projects.

ADMINISTRATIVE IMPLICATIONS

According to TRD, this bill has a very high impact on TRD’s Information Technology Division, and will take about 19 months to implement, using current assets. TRD states the effective date of July 1, 2019, is not feasible; a more feasible date is July 1, 2020.

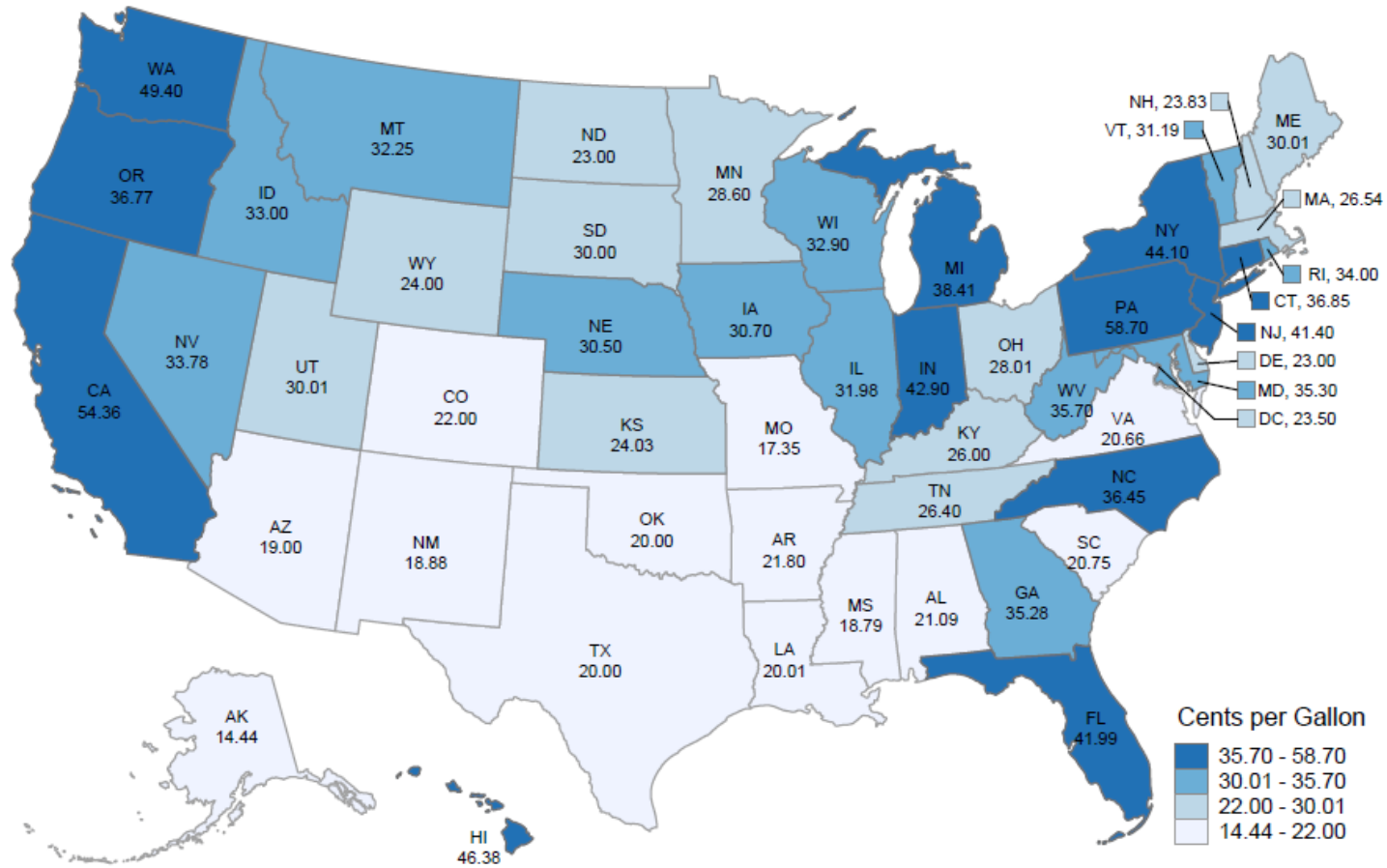
CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Conflicts with HB6, HB609, SB421, SB504 and SB506, which increase the gasoline and special fuel excise taxes. Conflicts with SB393, which imposes a gasoline surtax of up to 45 cents per gallon by FY24. Conflicts with HB6, SB421 and SB505, which increase the MVX rate. Conflicts with HB188, which phases in a redistribution of MVX revenue from the general fund to the state road fund, increasing the distribution to 100 percent over a period of four years.

Relates to HB612, which provides an exemption to electric vehicles, plug-in hybrid vehicles, and hybrid-electric vehicles from MVX.

ATTACHMENT A

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

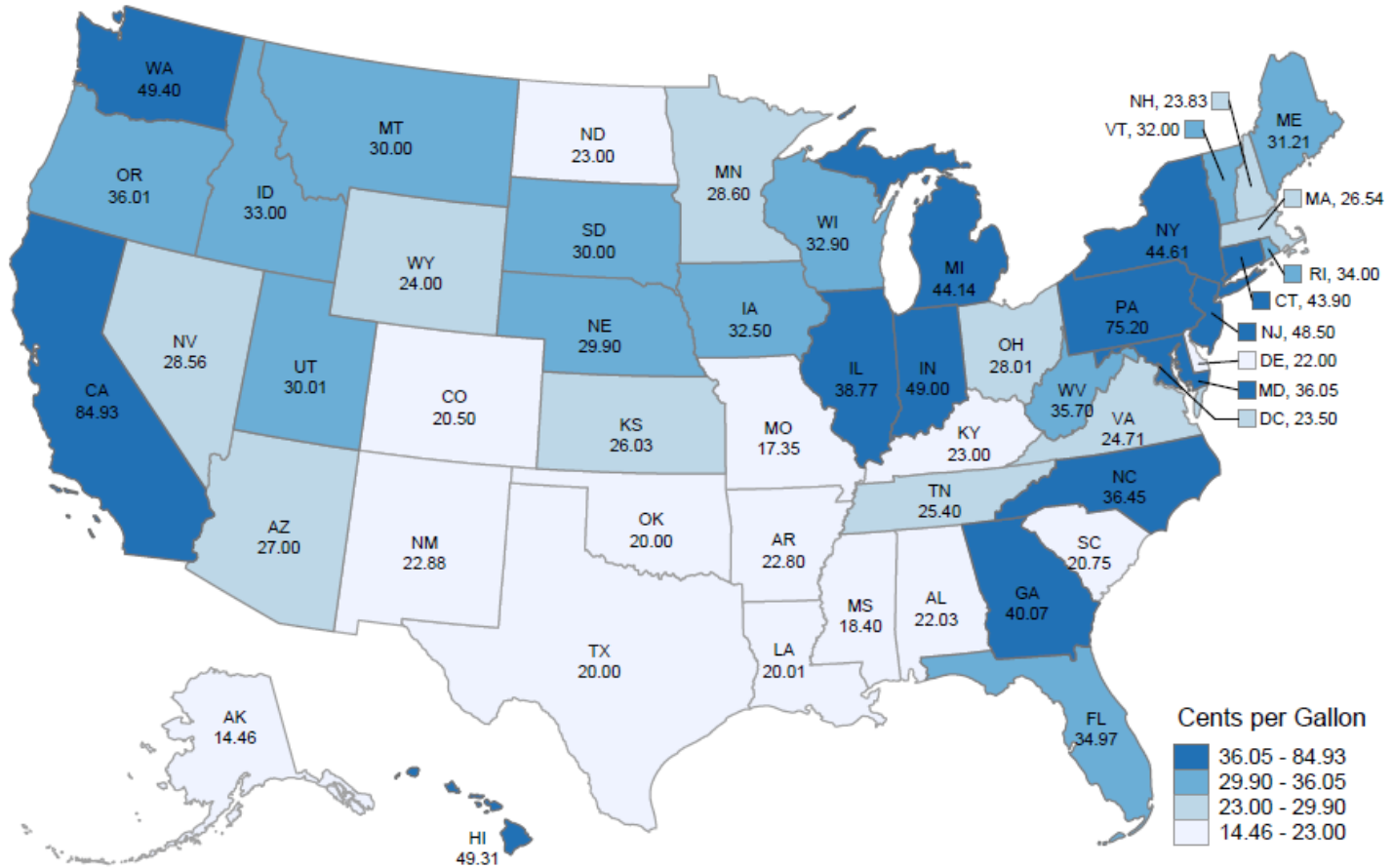


Note: NMDOT's elaboration on American Petroleum Institute data

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