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FISCAL IMPACT REPORT

SPONSOR Gonzales/Ruiloba/ ORIGINAL DATE 2/26/19
Lundstrom LAST UPDATED _____ HB 609

SHORT TITLE Gas Tax Rate & Distributions SB _____

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21	FY22	FY23		
\$0.0	\$62,729.0	\$62,200.0	\$61,588.0	\$60,993.0	Recurring	NEW State Road Maintenance Fund
\$0.0	\$41,839.0	\$41,486.0	\$41,078.0	\$40,681.0	Recurring	NEW Municipalities - maintenance fund
\$0.0	\$20,888.0	\$20,712.0	\$20,508.0	\$20,310.0	Recurring	NEW Counties - maintenance fund
\$0.0	\$12.0	\$11.0	\$11.0	\$11.0	Recurring	Municipalities and Counties Fund - (excl. P&I)
\$0.0	\$66.0	\$65.0	\$64.0	\$63.0	Recurring	State Aviation Fund
\$0.0	\$21.0	\$21.0	\$20.0	\$20.0	Recurring	Motorboat Fuel Tax Fund
\$0.0	\$9.0	\$9.0	\$9.0	\$8.0	Recurring	County Government Road Fund
\$0.0	\$9.0	\$9.0	\$9.0	\$8.0	Recurring	Municipal Roads Fund
\$0.0	\$9.0	\$9.0	\$9.0	\$8.0	Recurring	Municipal Arterial Program of Local Governments Road Fund
\$0.0	\$9.0	\$10.0	\$10.0	\$10.0	Recurring	Local Governments Road Fund
\$0.0	\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0	Recurring	Tribal Tax Sharing Agreements (Pueblo of Santo Domingo and Nambe)
\$0.0	\$261.0	\$216.0	\$172.0	\$128.0	Recurring	State Road Fund
\$0.0	\$128,252.0	\$127,148.0	\$125,878.0	\$124,640.0	Recurring	TOTAL

Parenthesis () indicate revenue decreases

Duplicates SB504. Relates to and conflicts with HB 6, SB 393, SB 421, and SB 506.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)
 Taxation and Revenue Department (TRD)
 New Mexico Municipal League

SUMMARY

Synopsis of Bill

House Bill 609 increases the gasoline tax by ten cents per gallon (from 17 cents to 27 cents), and increases the special fuels tax by six cents per gallon (from 21 cents to 27 cents). About half of the new revenue from the tax increases is distributed to counties and municipalities to be used for maintenance and repair of existing county and municipal roads. Of this additional distribution to local governments, 66.7 percent is allocated to municipalities and 33 percent is allocated to counties, and the new revenue may not be used for bonding. The bill also creates a new state road maintenance fund and distributes the other half of the new revenue to this fund for the purpose of road reconstruction, resurfacing, other improvement, or maintenance of existing public roads. This new fund also cannot be used for bonding. The effective date of this bill is July 1, 2019.

FISCAL IMPLICATIONS

In FY 2020 and the following fiscal years, this allocates about \$63 million to municipalities and counties as an “additional” distribution, and about the same amount to the new state road maintenance fund, for the repair and maintenance of existing roads. The bill attempts to hold harmless the state road fund and all other gasoline tax beneficiaries.

Beginning FY 2020, the Pueblos of Santo Domingo and Nambe will each receive an additional \$100,000 per month, pursuant to the gasoline tax sharing agreements specifying they are entitled to receive an amount equal to forty percent of the net receipts attributable to the gasoline tax paid to NMDOT on 2.5 million gallons of gasoline each month. This totals \$2.4 million annually.

Revenue Sources (rounded to nearest thousand)				Fund Affected
FY20	FY21	FY22	FY23	
\$92,518.0	\$90,957.0	\$89,421.0	\$87,912.0	Gasoline Tax (10 cents)
\$35,730.0	\$36,188.0	\$36,453.0	\$36,727.0	Special Fuels Tax (6 cents)
\$128,248.0	\$127,145.0	\$125,874.0	\$124,639.0	TOTAL

Revenue Uses (rounded to nearest thousand)				Fund Affected
FY20	FY21	FY22	FY23	
\$62,727.0	\$62,198.0	\$61,586.0	\$60,991.0	Muni & County Road Maintenance
\$62,729.0	\$62,200.0	\$61,588.0	\$60,993.0	State Road Maintenance Fund
\$261.0	\$216.0	\$172.0	\$128.0	State Road Fund
\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0	Tribal Tax Sharing Agreement
\$135.0	\$134.0	\$132.0	\$128.0	Other Funds
\$128,252.0	\$127,148.0	\$125,878.0	\$124,640.0	TOTAL

This revenue estimate is based on the January 2019 State Road Fund estimates. The analysis assumes that the tax increases do not modify the price elasticity demand for gasoline and special fuels.

SIGNIFICANT ISSUES

The last increase in the state gasoline tax occurred in 1993, when the tax was raised from \$0.16 to \$0.22 per gallon. It has since been reduced twice to the current rate of \$0.17 per gallon. The special fuels tax rate was last increased in 2003, when it was raised from \$0.18 per gallon to its present rate of \$0.21 per gallon. New Mexico fuel taxes are lower than in surrounding states and lower than the national average.

Gasoline prices fluctuate with crude oil prices. However, gasoline tends to be a relatively inelastic product in that price fluctuations do not tend to significantly increase or reduce demand. As such, the revenues resulting from passage of this bill would likely remain consistent regardless of changes in prices at the pump.

The New Mexico Municipal League and its members support this legislation. Local governments are responsible for the maintenance, repair and construction of approximately 44,000 miles of roads compared to 30,000 miles of roads for which the state is responsible.

ADMINISTRATIVE IMPLICATIONS

According to the Taxation and Revenue Department (TRD), this bill has a high impact on the department's Information and Technology Division and will take about 11 months to implement. TRD states the effective date of July 1, 2019 is not feasible and suggest a more feasible date is July 1, 2020.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates SB 504, which also increases the rates of gasoline tax by 10 cents and special fuels excise tax by 6 cents and distributes the additional revenue to municipalities and counties for maintenance of existing roads, and to the newly created state road maintenance fund.

Similar to and conflicts with HB 6 and SB 421, both of which increase gasoline tax and special fuels excise tax rates by 10 cents and 5 cents, respectively. Both the bills distribute part of the additional revenue to municipalities and counties for maintenance of existing roads, and create the new state road maintenance fund.

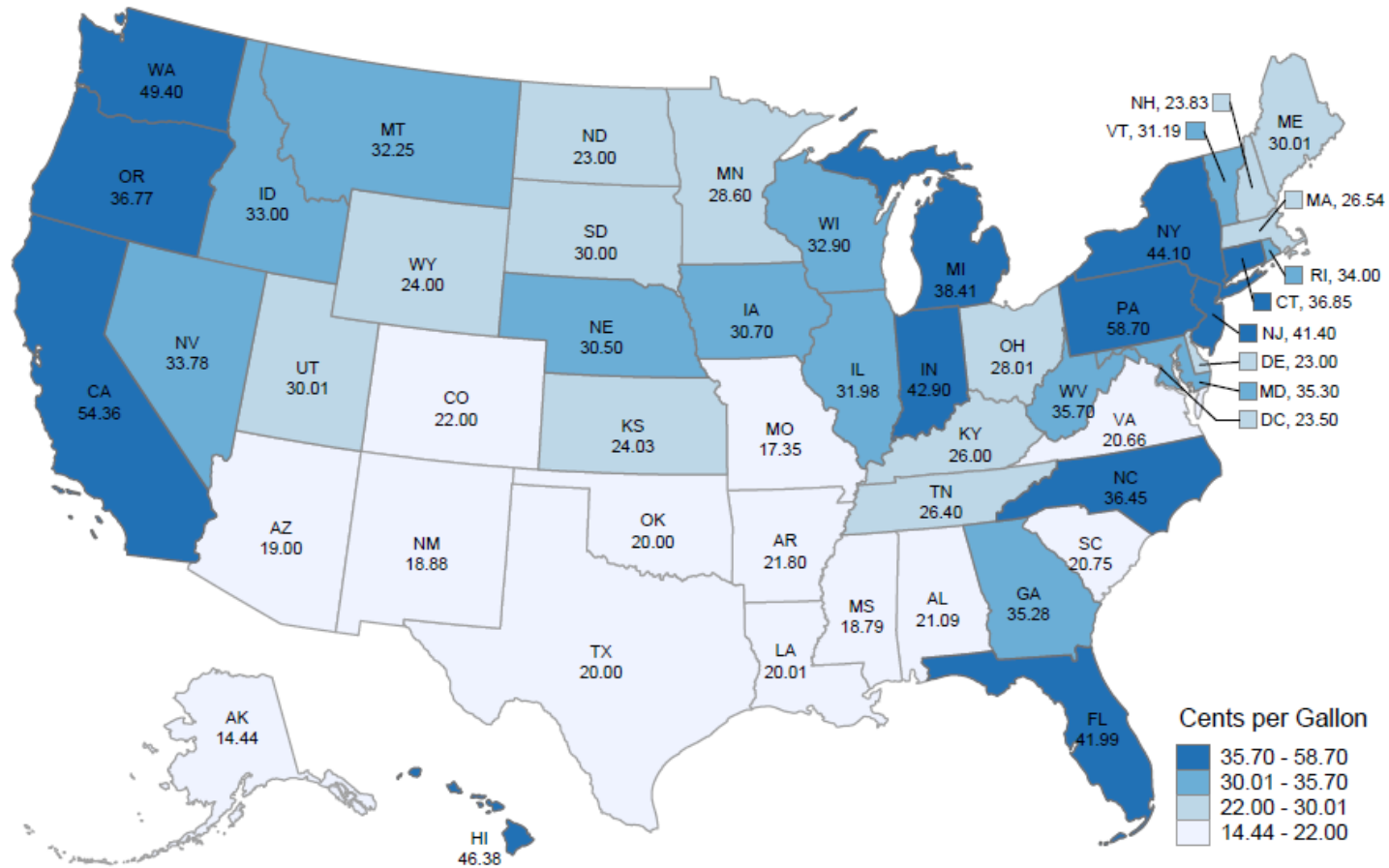
Similar to and conflicts with SB 506, which increases gasoline tax and special fuels excise tax by 5 cents each and distributes the additional revenue to municipalities and counties, local governments road fund and the state road fund.

Conflicts with SB 393, which imposes a gasoline surtax of up to 45 cents per gallon by FY24.

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ATTACHMENT A

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

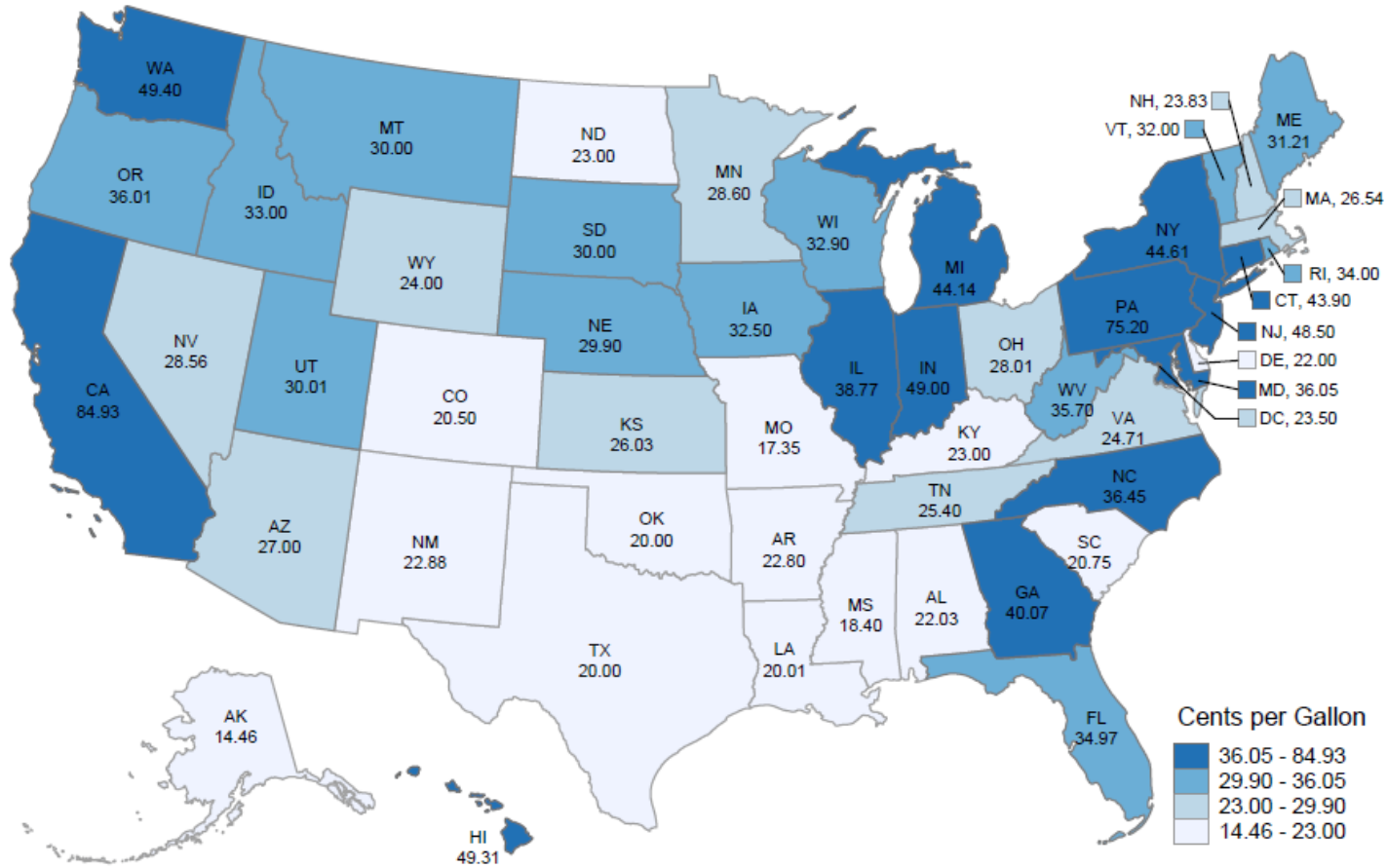


Note: NMDOT's elaboration on American Petroleum Institute data

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