F I S C A L I M P A C T R E P O R T

SPONSOR HTRC **ORIGINAL DATE** 2/11/2020 **LAST UPDATED** 2/17/2020 **HB** 220/HTRCS

SHORT TITLE Motor Vehicle Tax Distributions **SB**

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23	FY24		
--	--	($38,500.0)	($39,800.0)	($41,200.0)	Recurring	General Fund
--	--	$29,100.0	$30,000.0	$31,200.0	Recurring	State Road Fund
--	--	$50,900.0	$52,700.0	$54,500.0	Recurring	Local Government Transportation Project Fund
--	--	($41,500.0)	($42,900.0)	($44,500.0)	Recurring	Local Governments Road Fund

Parenthesis ( ) indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
--	--	$16.4	$16.4	Nonrecurring	TRD - Information Technology Division

Parenthesis ( ) indicate expenditure decreases

Conflicts with HB250, HB26, and HB207

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

The House Taxation and Revenue Committee Substitute House Bill 220 increases distributions of the motor vehicle excise tax for state and local road funding and prevents at least 75 percent of the distributions to the state and local road funds from being pledged for bond repayment. Beginning in FY22, the bill sends 35 percent of motor vehicle excise (MVEX) tax revenue to the state road fund and 23 percent to the local government transportation project fund. The remaining 42 percent of MVEX revenue continues to flow into the general fund. The bill also cleans up language in Section 67-3-78 NMSA 1978 regarding the prioritization of funding for transportation projects for local governments. There is no effective date of this bill. It is assumed that the effective date is 90 days after this session ends.

FISCAL IMPLICATIONS

The fiscal impact estimates use the December 2019 consensus revenue estimate as a starting point. This bill makes the following distribution changes to MVEX revenues beginning in FY22:

FUND	Existing	Proposed
General Fund	59%	42%
State Road Fund	22%	35%
Local Government Road Fund	19%	0%
Local Government Transportation Project Fund	0%	23%

The result is additional funding for state and local roads from MVEX revenues and a change to the fund receiving MVEX revenues for local roads. The distribution change will cost the general fund about $39 million, about $30 million of which will go to the state road fund. The remaining $9 million will go to the local government transportation project fund, and this fund will also receive the revenue that would have otherwise gone to the local government road fund under existing statute.

The table below shows the distribution of total MVEX revenues for FY22 under current law compared with this bill's proposed distributions.

FUND (in millions)		FY20	FY21	FY22	FY23	FY24
General Fund	Existing	$150.0	$153.5	$131.5	$136.0	$140.8
	Proposed	$150.0	$153.5	$93.0	$96.2	$99.6
State Road Fund	Existing	$6.5	$6.6	$48.4	$50.1	$51.8
	Proposed	$6.5	$6.6	$77.5	$80.1	$83.0
District 2	Existing	$52.2	$53.4	-	-	-
	Proposed	$52.2	$53.4	-	-	-
Local Government Road Fund	Existing	-	-	$41.5	$42.9	$44.5
	Proposed	-	-	-	-	-
Local Government Transportation Project Fund	Existing	-	-	-	-	-
	Proposed	-	-	$50.9	$52.7	$54.5
TOTAL*		**$208.7**	**$213.5**	**$221.4**	**$229.0**	**$237.1**

*Based on December 2019 Consensus Revenue Estimate (note, totals may not foot due to rounding)

As a result of the 25 percent revenue bonding use restriction contained in HB 220/HTRCS, approximately $60 million of the annual distribution to the state road fund could not be used for bonding purposes, while about $40 million distributed to LGTPF per fiscal year could not be used for bond payments. The NM Department of Transportation provides the following chart to illustrate this point:

Table 1 - Total MVEX Revenue Distributions to the State Road Fund and the LGTPF, values in million dollars.

	State Road Fund		Local Government Transportation Project Fund	
	Total MVEX distribution	75% not to be used for bond payments	Total MVEX distribution	75% not to be used for bond payments
FY 22	$77.5	$58.1	$50.9	$38.2
FY 23	$80.1	$60.1	$52.7	$39.5
FY 24	$83.0	$62.2	$54.5	$40.9

SIGNIFICANT ISSUES

Motor vehicle excise tax revenue is relatively stable, and MVEX revenue provide substantially more revenue growth over time than traditional road fund revenues like the gasoline tax because the latter grow very slowly if at all, while the MVEX has demonstrated relatively strong growth over time.

The bill's clean-up language for the local government transportation project fund adds definitions for a "metropolitan planning organization" and a "regional transportation planning organization". Existing statute requires metropolitan and regional transportation planning organizations to provide a list of transportation projects to the state transportation commission, but such planning organizations are not defined.

ADMINISTRATIVE IMPLICATIONS

There is an estimated moderate impact to the Taxation and Revenue Department's Information Technology Division, with soft costs of about $16.4 thousand in FY22.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 250 increases the distribution of MVEX revenue to address emergency road conditions in the southeast in the latter half of FY21. Beginning in FY22, HB250 eliminates the MVEX distribution to the local governments road fund such that 50 percent of all MVEX revenues would go to the state road fund and the remaining half would go to the general fund.

Two other bills propose amendments to the local government transportation project fund (LGTPF): HB26 and HB207. These bills would change the name of the LGTPF to "Transportation Project Fund" and allow Tribes to be eligible to receive grants from the fund, which HB220 does not do. HB26 would amend the definition of a "transportation project" to expressly exclude "beautification projects" leaving the determination of what constitutes a beautification project to the State Transportation Commission. HB207 would expressly exclude "enhancement projects" leaving the determination of what constitutes an enhancement project to the State Transportation Commission. All three add "maintenance" projects as an eligible project.

TECHNICAL ISSUES

According to DOT, the bill's provision that a maximum of 25 percent of the distributions to the transportation project fund can be pledged or used to pay future or existing bonds or debentures appears unnecessary. DOT states this fund currently does not authorize DOT to issue any bonds and pledge LGTPF funds for payment. Similarly, use of the funds by a local government to pay debt is not an eligible activity under the LGTPF.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate

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