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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 2/11/2025

SPONSOR Gonzales

BILL

SHORT TITLE Motor Vehicle Excise Tax Distributions NUMBER Senate Bill 289

ANALYST Faubion

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
MVX	\$0	\$0	(\$151,000.0)	(\$153,400.0)	(\$157,100.0)	Recurring	General Fund
MVX	\$0	\$0	\$131,900.0	\$134,000.0	\$137,200.0	Recurring	State Road Fund
MVX	\$0	\$0	\$19,100.0	\$19,400.0	\$19,900.0	Recurring	Transportation Project Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	No fiscal impact	\$17.3	No fiscal impact	\$17.3	Recurring	General Fund
Total	No fiscal impact	\$17.3	No fiscal impact	\$17.3	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts with House Bill 19 and Senate Bill 27.

Sources of Information

LFC Files

Agency Analysis Received From
Taxation and Revenue Department (TRD)

Agency Analysis Solicited but Not Received From
Department of Finance and Administration (DFA)
Department of Transportation (NMDOT)

SUMMARY

Synopsis of Senate Bill 289

Senate Bill 289 changes the distribution of the motor vehicle excise tax as follows:

	Current Law	Proposed FY27 and Beyond
General Fund	59.39%	10.00%
State Road Fund	21.86%	65.00%
Transportation Project Fund	18.75%	25.00%

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

The bill does not include a recurring appropriation but diverts or “earmarks” revenue, representing a recurring loss from the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities. LFC and the Taxation and Revenue Department (TRD) applied the proposed distribution rates of the motor vehicle excise tax (MVX) to the current consensus revenue estimating group’s December 2024 MVX forecast.

This bill is expected to have a low impact on TRD’s Administrative Services Division (ASD). TRD will update the Tapestry System’s general ledger and reporting. It is anticipated this work will take approximately 20 hours split between 2 FTE of a pay band 70 and a pay band 80 at a cost of approximately \$1,300. Collaboration and input from the Department of Finance and Administration (DFA) is required as this will decrease general fund revenue distributions. Implementing this bill will have a low impact on TRD’s Information Technology Division (ITD), approximately 240 hours or 1½ months for an estimated \$16,000 of staff workload costs.

SIGNIFICANT ISSUES

The bill seeks to address the need for infrastructure investment identified by the Department of Transportation (NMDOT). NMDOT’s operating budget comes primarily from two sources: formula funding from the U.S. Department of Transportation and revenue from gasoline and diesel taxes, fees on commercial trucking, and vehicle registration fees deposited into the state road fund. For several years, these revenues grew at a slow pace, with any additional revenue largely offset by increasing costs. Between FY14 and FY21, annual revenue into the state road fund grew by an average of 2.3 percent. Recent passage of the federal Infrastructure Investment and Jobs Act and state legislation dedicating a portion of the motor vehicle excise tax to the state road fund led to increased resources for state roads between FY21 and FY24, but NMDOT is projecting slower growth in the future, primarily due to a slowdown of gasoline taxes. Additionally, since 2019, the Legislature has invested significant nonrecurring general fund revenue in state road projects, including funds for road maintenance, new road construction, bridge replacement, and other projects.

TRD notes directing all MVX revenue to the state road fund and local government road funds is a supportable earmark since the cost of maintaining roads is directly tied to vehicle sales, which contributes to road deterioration. This would enable direct planning of budget use with forecasted MVX revenue. TRD also notes this proposal would eliminate a recurring general fund revenue source, reducing the Legislature’s budgetary flexibility with respect to the broad appropriation needs of the state in future years. In FY24, MVX contributed \$167.3 million to the general fund, or approximately 1.3 percent of recurring general fund revenue.

PERFORMANCE IMPLICATIONS

The conditions of state roads are key performance measures for NMDOT's performance-based budget. NMDOT assesses all New Mexico roads each calendar year using a pavement condition rating (PCR) score to measure roadway conditions. For calendar year 2023, road condition data shows improvement from 2020, although slightly lower than in 2021. A PCR score of 45 or less indicates a road in poor condition. In 2023, the average PCR score for the state was 65, down from 65.9 in 2022 and 72.1 in 2021 but up from the 2020 score of 54.9.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill conflicts with House Bill 19 and Senate Bill 27 which propose conflicting distributions of the motor vehicle excise tax.

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