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FISCAL IMPACT REPORT

SPONSOR: Lyons DATE TYPED: 02/07/01 HB _____
 SHORT TITLE: Motor Vehicle Tax Revenue to State Road Fund SB 207
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (1,783.3)	\$ (25,090.0)	Recurring	State General Fund
	\$ 1,783.3	\$ 25,090.0	Recurring	State Road Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department
 State Highway and Transportation Department
 New Mexico Finance Authority

SUMMARY

Synopsis of Bill

Currently, net tax and associated penalties and interest in the motor vehicle suspense fund are distributed to the general fund. This bill changes distributions from the motor vehicle suspense fund from the general fund to the state road fund in 20 percent increments. The distribution to the general fund is eliminated entirely in the last month of FY06.

The aggregate amount of outstanding principal for state highway bonds would be increased from \$400 million to \$1,709.89 million. The bill proposes 18 new highway construction projects around the state.

Significant Issues

State Highway and Transportation Department revenue projection have been revised downward and the department is essentially maxed out on bonding capacity to fund new highway projects. The infrastructure needs of the state are significant and need to be addressed.

SHTD notes the State Highway System includes 12,002 miles of roadway, including frontage roads and ramps. Roads and bridges wear out because of traffic and environmental effects. Since 1990 the State's population has grown about 1.4% a year while traffic has grown about 3.6% a year. Standards for highway design change have become more stringent. Expectations for access to paved highways, up-to-date designs, and four lane roads are increasing. Road fund revenues do not keep up with inflation. The Department is required to pay gross receipts taxes on highway construction projects, a drain of more than \$32.6 million in FY 2000 from the State Road Fund.

Laws of 1998 increased the State Highway Commission's bonding authority to \$1.124 billion and expanded revenues that secure bonds to include all federal funds and state taxes and fees paid into the Road Fund. In addition, federal legislation, TEA-21, increased the Department's available federal-aid highway funding by an average of \$76.25 million a year. The Department is selling bonds to construct four lane projects and will retire the bonds over the next twelve to fifteen years using the additional federal funds. Because the increase in federal funds was less than anticipated, the Department is not able to support debt service for the full bonding authority granted by the legislature.

The Department's current Statewide Transportation Improvement Program (STIP) shows that for FY 2001-2006 revenues for preserving and improving the state highway system, including bond proceeds, total nearly \$2.25 billion. For the same time span, the Department's Long Range Comprehensive Transportation Plan (LRP) shows needs for improvement, including bond projects, which total \$6.25 billion. Over a twenty-year period, the LRP anticipates revenues totaling \$6.0 billion in today's dollars, while projected needs for improvement to state highways (\$13.5 billion) and economic-development (\$1.2 billion) total \$14.8 billion. Needs for improvement to municipal, county, or tribal road systems are not included in these totals.

FISCAL IMPLICATIONS

The bill has a small fiscal impact in FY02 because the change in distribution percentages beginning July 1, 2002 affects June 2002 revenue distributed in July 2002. The FY03 general fund revenue loss is \$25,090.0. The general fund revenue loss grows to \$147,191.6 in FY07.

OTHER SUBSTANTIVE ISSUES

TRD notes in 63 years of imposing taxes on sales and use of motor vehicles, more than 77 percent of total vehicle excise taxes collected were distributed to general fund, while less than 23 percent were distributed to state and local government road funds. From 1981 through 1986, the general fund did not receive a portion of the motor vehicle excise tax. TRD also indicates the motor vehicle excise tax is imposed in lieu of the gross receipts tax, not as an access fee for use of state roads.

AW/njw