NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC's office in Suite 101 of the State Capitol Building North.

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

SPONSOR: Marquardt DATE TYPED: 01/30/02 HB 293

SHORT TITLE: Statewide Highway Projects SB

ANALYST: Valdes

REVENUE

Revenue Impact	Amount	Recurring or Non-Recurring	Fund Affected
FY02	N/A		
FY03	N/A		
FY04	($21,740.0)	Recurring	General Fund
	$21,740.0	Recurring	State Road Fund
FY05	($45,640.0)	Recurring	General Fund
	$45,640.0	Recurring	State Road Fund
FY06	($71,880.0)	Recurring	General Fund
	$71,880.0	Recurring	State Road Fund
FY07	($100,632.0)	Recurring	General Fund
	$100,632.0	Recurring	State Road Fund
FY08	($132,080.0)	Recurring	General Fund
	$132,080.0	Recurring	State Road Fund
Subsequent Years	($132,080.0)*	Recurring	General Fund
	$132,080.0*	Recurring	State Road Fund

*Revenue estimates in subsequent years would be based on growth rate of the Motor Vehicle Excise Tax. Revenue estimates above assume a 5 percent annual growth rate in the Motor Vehicle Excise Tax.

SOURCES OF INFORMATION

State Highway and Transportation Department (SHTD)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 293 amends Section 7-14-10 NMSA 1978 to divert increasing (phased-in) amounts of the Motor Vehicle Excise Tax from the State General Fund to the State Road Fund. Over a five-year period an additional 20% of the tax would be distributed annually to the State Road Fund, completely transferring the Motor Vehicle Excise Tax from the State General Fund to the State Road Fund beginning in FY08.

Section 67-3-59.1 NMSA 1978 is amended to increase the aggregate amount of outstanding principal for state highway bonds (other than projects financed by Dept. of Energy/WIPP money) from $400,000,000 to $1,709,890,000. The bill proposes 18 new highway construction projects around the state (see "Other Substantive Issues" below for a list of specified projects).

Significant Issues

The State Highway and Transportation Department is currently unable to address important road projects as a result of expected declines in state and federal revenues. State Road Fund revenue estimates are flat and Federal Highway Administration revenues are expected to decline significantly in the FY04 budget.

FISCAL IMPLICATIONS

House Bill 293 would have a major negative impact on general fund revenues while providing significant new resources for highway operations beginning in fiscal year 2004. New general fund revenue sources would have to be identified to fund state government at present operating levels or expenditures would have to be cut to stay within lower general fund revenue estimates beginning in fiscal year 2004.

The Taxation and Revenue Department expressed the following points on House Bill 293.

- From the point of view of tax policy, the motor vehicle excise tax is imposed in lieu of the gross receipts tax, not as an access fee for use of state roads.

- The Motor Vehicle Excise Tax might be more accurately viewed as a selective sales tax imposed to provide a favorable tax rate upon a specific commodity, rather than an intrinsically "road-related" revenue. A great deal of the value of contemporary motor vehicles has more to do with comfort, styling, safety features, and amenities (air conditioning, sound systems, power steering, anti-lock brakes, automatic door locks, air bags, etc.) than strictly to do with use of the roads.

- Sales and use of motor vehicles were taxed based on sales price (less trade-in value) beginning in 1934. In the ensuing 64 years, more than 77% of total vehicle excise taxes collected have, on average, been distributed to the general fund, while less than 23%, on average, have been distributed to state and local government road funds. Only for the period 1981 through 1986 did the state general fund receive no portion of the motor vehicle excise tax.

The State Highway and Transportation Department provided the following information.

New Mexico's highway system is in severe need of additional funding. Traffic is growing faster than population. Construction costs are rising. The number of lane miles on the state highway system is increasing. Standards for highway design are changing. Two-lane roads with ten-foot widths and no shoulders are no longer acceptable. Expectations are increasing for access to paved highways, up-to-date designs, and four lane roads.

Road Fund revenue growth has never tended to keep pace with inflation and now has been adversely affected by state tax-exempt gasoline sold by Native American distributors and by recent litigation over tax qualification (TQ) card fees. Additional limitations on construction and maintenance are imposed by the requirement the department pay gross receipts tax on contracted projects, and by the Legislature's transfer of some road fund money to other state agencies.

The need for more four-lane roads has been partially addressed by prior legislation. 1998 state legislation 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 known as TEA-21 increased the department's available federal-aid highway funding by an average of $80 million a year. As a result, the department has sold bonds to construct four-lane projects and will retire the bonds over the next twelve to fourteen years using the additional federal funds. The increase in federal funds was less than anticipated, and the department has not been able to support debt service for the full bonding authority granted by the Legislature in 1998. Nevertheless, the change to bonded projects has allowed the department to complete construction of major facilities much more quickly than was previously possible.

Funding for preservation and improvement of state roads outside of the nearly-completed bonding program, however, has not increased. At the state level, New Mexico has six-year transportation needs that total $5.08 billion (including alternative transportation modes). The Statewide Transportation Improvement Program (STIP) must be constrained by available levels of revenue, and the $1.675 billion in projects currently programmed in the six-year STIP come nowhere near meeting the six-year transportation needs. Unbonded ("base level") federal revenue and state matching funds are expected to total no more than $1.2 billion over the next six years. This means current federal and state revenues cover less than 20% of existing needs for improvements to roads eligible for federal funds, and those funds have already been allocated. Currently, no other funds are available. For new projects to be added to the Statewide Transportation Improvement Program (STIP), projects of equal cost must be delayed or eliminated.

Over a twenty-year period, the Long Range Plan anticipates revenues totaling $6.6 billion, while projected needs for improvements to state highways ($12.3 billion) and economic development ($1.2 billion) total $13.5 billion. Long Range Plan highway needs estimates are very conservative. Totals do not include inflation estimates or other ancillary costs often associated with highway projects that can run 15% or more above projected costs. Projected needs also do not include costs associated with rehabilitation of non-deficient road segments that are contiguous with deficient segments that might be included in corridor projects. In addition, the department's Middle Rio Grande Long Range Major Transportation Investment Study has identified extensive long-term highway needs for the state's most populous and economically important region that are not included in the Long Range Plan projections.

ADMINISTRATIVE IMPLICATIONS

A minor administrative impact would occur on TRD resulting from the need to track and implement phased-in changes over multiple fiscal years. TRD should be able to administer the provisions with existing staff and resource levels.

OTHER SUBSTANTIVE ISSUES

The Highway and Transportation Department provided the following.

- During FY80, 25% of the Motor Vehicle Excise Tax was directed to the Road Fund, and that amount was increased to 75% in FY 81. From FY82 through FY87, 100% of the tax was directed to the Road Fund. During FY88 through FY91 portions were redirected to the General Fund and the Local Governments Road Fund, leaving the State Road Fund with a 41.7% share of the tax. In FY92 the Road Fund's share of the tax was redirected to the General Fund.

- The 18 projects proposed in the bill are:
    1) four-lane U.S. Highway 180 from Silver City to Deming ($72 million);
    2) six-lane Interstate 10 from I-25 to the Texas state line ($53.56 million);
    3) six-lane Interstate 25 from Tramway to U.S. 550 ($31.2 million);
    4) four-lane U.S. Highway 666 from Sheep Springs to the Colorado state line ($74.69 million);
    5) four-lane U.S. Highway 64 and U.S. Highway 87 from Raton to Clayton ($185.37 million);
    6) four-lane a northwest loop from New Mexico 550 to I-40 near Rio Puerco ($88.61 million);
    7) four-lane U.S. Highway 85 from Clines Corners to Lamy ($79,17 million);
    8) four-lane U.S. Highway 54 from Tularosa to Santa Rosa ($329.01 million);
    9) four-lane U.S. Highway 54 from Tucumcari to the Texas state line ($85 million);
    10) construction of New Mexico 404 from I-10 to U.S. 54 ($15.24 million);
    11) four-lane U.S. Highway 62 and U.S. Highway 180 from Carlsbad to the Texas line (75.21 million);
    12) four-lane U.S. Highway 285 from Carlsbad to the Texas line (45 million);
    13) four-lane New Mexico 18 from Jal to the Texas state line ($11.22 million);
    14) a new east loop Espanola relief route ($18 million);
    15) four-lane U.S. Highway 82 from Artesia to Lovington ($94.2 million);
    16) six-lane Interstate 25 from New Mexico 47 to Cesar Chavez Boulevard ($25.4 million);
    17) a new bypass route in Deming off Interstate 10 ($12.01 million);
    18) a new Richards Avenue (Santa Fe) interchange on Interstate 25 ($15 million).

- While some have argued the Motor Vehicle Excise Tax is not an intrinsically “road-related” revenue, others view this revenue source as “road-related”. The earmarked state revenues available to the Road Fund are not producing adequate revenue to do the job.

MV/njw