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FISCAL IMPACT REPORT

SPONSOR Rodella **DATE TYPED** 01/29/04 **HB** 234

SHORT TITLE State Aviation Fund Distributions **SB** _____

ANALYST Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act for the Aviation program of the New Mexico Department of Transportation

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04*	FY05			
(\$27.8)	(\$66.7)	(\$65.5)	Recurring	General Fund
\$27.8	\$66.7	\$65.5	Recurring	State Aviation Fund

(Parenthesis () Indicate Revenue Decreases)

* reflects five months of collection activity in FY04.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Transportation

Taxation and Revenue Department did not respond to a request for an analysis of this bill.

SUMMARY

Synopsis of Bill

House Bill 234 adjusts the distribution, from gross receipts tax paid on jet-fuel, to the State Aviation fund by an 11.1 percent increase from 4.31 percent to 4.79 percent. The bill carries an emergency clause.

Significant Issues

During the 2003 legislative session, the Legislature passed, and the Governor signed, HB62 increasing the gross receipts tax deduction on aviation jet fuel from 40 percent to be 55 percent. The original version of HB62 had proposed a 50 percent deduction, with a hold-harmless provision increasing the distribution to the State Aviation Fund. However, an amendment to the original bill inadvertently nullified the hold-harmless provision. HB234 corrects the problem.

FISCAL IMPLICATIONS

House Bill 234 would increase revenues into the state aviation fund by 11.1 percent. Gross receipts tax paid on jet-fuel represents 25 percent of the revenue source for the Aviation program budget. The table below provides detail on the calculation:

	FY05	FY06
Aviation Jet Fuel Total Sales	\$30,900,000	\$30,300,000
Less 55% deduction	<u>16,995,000</u>	<u>16,665,000</u>
Adjusted total sales	13,905,000	13,635,000
Current law: Multiply gross receipts by 4.31%	599,306	587,669
HB234: new distribution (4.79%)	<u>666,050</u>	<u>653,117</u>
<i>New revenue to Aviation fund</i>	66,744	65,448

Because of the emergency clause, the adjusted distribution would also have an impact for approximately five months in FY04. This amount would be roughly \$27.8 thousand.

Revenues into the general fund would decrease in a proportionate amount.

According to the department, the aviation fund is used to match Federal Aviation Administration (FAA) funds for airport construction projects. These dollars can leverage 90 percent federal funds and 5 percent local government funds.

MFV/dm