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

SPONSOR Silva **DATE TYPED** 2/3/2004 **HB** 261

SHORT TITLE Gas Tax for Highway Bond Retirement **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)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	$43,000.0	$43,000.0	Recurring	State Road Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Transportation
Taxation and Revenue Department

SUMMARY

Synopsis of Bill

House Bill 261 would impose a 5-cent/gallon gasoline surtax for the period July 1, 2004 through June 30, 2014, from which the revenue would be distributed to the state road fund. The new revenue would be earmarked for redemption or repurchase of outstanding state transportation revenue bonds.

Significant Issues

The 2003 special legislative session offered tremendous discussion on revenue opportunities for the Department of Transportation. In fact, during the 2003 interim, two groups met on several occasions to discuss these issues. The Executive created a working group to assess the impact of the Native American gasoline tax exemption, while a Blue Ribbon Tax Commission assessed opportunities for increases to transportation-related taxes. The Native American gasoline tax exemption, which according to NMDOT represents a $15 million loss annually to the road fund, was recommended by the Executive working group to remain unchanged. In addition, the Executive spoke publicly about its unwillingness to support any increase in the gasoline tax[1], despite New Mexico's lower-than-surrounding-states rate:

State	Gas
Arizona	$0.18
Colorado	0.22
New Mexico	**0.17**
Texas	0.20
Utah	0.245

FISCAL IMPLICATIONS

The bill would increase the gasoline tax to $0.22 cents/gallon, and could generate approximately $43 million to the state road fund.

HB261 earmarks the new revenue to pay off existing principal and interest payments for the bond financing undertaken by the State Transportation Commission. Based on passage of the Governor Richardson's Investment Partnership (GRIP) bond program, total principal and interest payments will total as much as $4 billion over the next 25 years.

The current budget recommendation includes $149 million for the annual principal and interest payments of the current existing bond obligations, after which, these annual payments are expected to rise to $162 million.

Passage of HB15, during the 2003 legislative session, provided approximately $60 million of new revenue to the state road fund. If HB261 is successful, NMDOT will have the opportunity to use new revenues from the special session to cover operating budget items, such as the 100 percent state construction program.

ADMINISTRATIVE IMPLICATIONS

The same administrative provisions that apply for gasoline tax purposes would apply to the gasoline surtax.

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[1] The gas tax represents 35 percent of revenue in the state road fund. A one-cent increase reflects $8.4 million in new revenue, of which NMDOT receives approximately $6.5 million.