

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Fox-Young DATE TYPED 1/31/05 HB 291

SHORT TITLE Decrease Motor Vehicle Registration Fees SB _____

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 50, HB 81, SB 142 & HB 269

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		(Significant)		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

- New Mexico Finance Authority (NMFA)
- Department of Transportation (DOT)
- Attorney General's Office (AGO)
- Corrections Department (CD)
- Department of Public Safety (DPS)
- Public Education Department (PED)
- Environment Department (ED)

SUMMARY

Synopsis of Bill

House Bill 291 decreases the dollar amounts of a number of motor vehicle registration fees that are dedicated to the State Road Fund. This Bill also increases certain truck registration fee percentages dedicated to the Tire Recycling Fund. Finally, this Bill decreases the overall fee distribution percentage to the State Road Fund by 8.11% and increases proportionally fee distributions to counties, county road funds, and incorporated municipalities within the various counties.

Significant Issues

The registration fees discussed in House Bill 291 are fees that were implemented by Governor Richardson's Investment Partnership (GRIP) legislation passed during the 2003 Special Session. Thus the current fee levels were part of the GRIP package presented to the major bond rating agencies. The bond rating of the GRIP issue is contingent upon the current fee levels. Any statutory decrease of the fees in question would send a wrong message to the rating agencies and probably would result in a down grade of the GRIP bond ratings. Also the overall decrease in revenues to the State Road Fund would impair debt service payments to GRIP bond holders.

FISCAL IMPLICATIONS

Article IX, Section 16 of the Constitution of the State of New Mexico states in part that *"The legislature shall not enact any law which will decrease the amount of annual revenues pledged for the payment of state highway debentures or which will divert any of such revenues to any other purpose so long as any of said debentures issued to anticipate the collection thereof remain unpaid."*

Similarly, Section 22 of the bill provides that *"If any provision of this act or any lower tax or fee provided for in this act would have the effect of impairing any revenue bonds outstanding on the effective date of this act, then the provision, lower tax or lower fee shall not take effect until the affected outstanding bonds are defeased."*

Virtually all of the State Road Fund tax and fee sources are pledged toward bonds through the year 2024. The pledge of these revenue sources is part of the state's contract with bond holders that allowed the state to obtain an exceptionally low interest rate on the bonds. Since bond coverage ratios and bond interest rates are integral parts of the overall bond contract, any legislated tax rate decrease would be considered an impairment to the bonds. It is the opinion of the NMFA that the registration fee decreases proposed in the bill could not go into effect until the year 2025 when the bonds are fully defeased. Informal discussions between staff from NMFA and DOT indicate DOT would also interpret any roll-back of pledged revenue to be an impairment to the bonds.

Below is a table prepared by the NMFA summarizing the fee and tax distribution changes proposed in House Bill 291.

FEE TYPE	Current Fee	Proposed Fee	Increase (Decrease)
Motor Cycle - Two Wheeled	\$ 15.00	\$ 11.00	\$ (4.00)
Motor Cycle - Three Wheeled	\$ 15.00	\$ 11.00	\$ (4.00)
Vehicles <= 2000lbs	\$ 39.00	\$ 29.00	\$ (10.00)
after 5yrs	\$ 31.00	\$ 23.00	\$ (8.00)
Vehicles > 3000lbs	\$ 56.00	\$ 42.00	\$ (14.00)
after 5yrs	\$ 45.00	\$ 34.00	\$ (11.00)
Freight Trailers - Perm Reg	\$ 13.00	\$ 10.00	\$ (3.00)
Utility Trailers - Non Perm Reg	\$ 7.00	\$ 5.00	\$ (2.00)
Utility Trailers Non Comm - Perm Reg	\$ 33.00	\$ 25.00	\$ (8.00)
wt < 6001lbs	\$ 7.00	\$ 5.00	\$ (2.00)

Trucks, Tractors, Road Tractors, Buses			
Declared Gross Weight			
001 - 4,000	\$ 40.00	\$ 30.00	\$ (10.00)
4,001 - 6,000	\$ 55.00	\$ 41.00	\$ (14.00)
6,001 - 8,000	\$ 69.00	\$ 52.00	\$ (17.00)
8,001 - 10,000	\$ 84.00	\$ 63.00	\$ (21.00)
10,001 - 12,000	\$ 99.00	\$ 74.00	\$ (25.00)
12,001 - 14,000	\$ 113.00	\$ 85.00	\$ (28.00)
14,001 - 16,000	\$ 128.00	\$ 96.00	\$ (32.00)
16,001 - 18,000	\$ 143.00	\$ 107.00	\$ (36.00)
18,001 - 20,000	\$ 157.00	\$ 118.00	\$ (39.00)
20,001 - 22,000	\$ 172.00	\$ 129.00	\$ (43.00)
22,001 - 24,000	\$ 187.00	\$ 140.00	\$ (47.00)
24,001 - 26,000	\$ 201.00	\$ 151.00	\$ (50.00)
26,001 - 48,000	\$ 118.00	\$ 88.50	\$ (29.50)
> 48,001	\$ 172.00	\$ 129.50	\$ (42.50)

Buses	\$ 7.00	\$ 5.00	\$ (2.00)
Buses - Agricultural	\$ 33.00	\$ 25.00	\$ (8.00)
Fertilizer Trailers	\$ 7.00	\$ 5.00	\$ (2.00)
Manfac Homes, Travel Trailers	\$ 7.00	\$ 5.00	\$ (2.00)
School Buses	\$ 7.00	\$ 5.00	\$ (2.00)

Tire Recycling Fund Percentages			
Trucks 26,001 - 48,000	3.00%	4.00%	1.00%
Trucks > 48,001	3.75%	5.00%	1.25%

Formulaic Distributions			
State Road Fund	74.65%	66.541%	(8.11%)
To Counties	7.60%	10.032%	2.43%
To County Road Funds	7.60%	10.032%	2.43%
To Incorporated Municipalities	4.06%	5.358%	1.30%
To Jurisdictions	6.09%	8.037%	1.95%

ADMINISTRATIVE IMPLICATIONS

The registration fee decreases proposed in the bill would become effective on the first day of the month following certification by the New Mexico Finance Authority that “*the bonds can be full paid and that the outstanding bonds will not otherwise be impaired*”. Such a provision allows little or no time for the Motor Vehicle Division (MVD) to implement the fee decrease, particularly to revise its computer program code.

The bill’s requirement that NMFA conduct a quarterly review of DOT’s financial position would place a considerable burden on NMFA. Since the registration fee roll-back must inevitably be considered to impair the bonds, any quarterly review by NMFA would be ultimately pointless.

RELATIONSHIP

Relates to SB 50, Emergency Taxpayer Relief Initiative and HB 81, Emergency Taxpayer Relief Initiative which have similar revenue decreases.

Relates to SB 142, Recycling & Illegal Dumping Act and HB 269, Recycling & Illegal Dumping Act which repeal the Tire Recycling Act and replace it with the Recycling and Illegal Dumping Act. These bills broaden the scope of the current tire recycling program to include additional recycling and other illegal dumpsite abatement programs for New Mexico. SB 142 and HB 269 change the name of the fund in which these funds are to be deposited to the “recycling and illegal dumping fund” from the “tire recycling fund”.

OTHER SUBSTANTIVE ISSUES

DOT states that one of the principal reasons vehicle registration fees were revised recently is that these unit-based fee levels had not been increased in over 20 years, and New Mexico’s registration fee levels were extremely low in relation to other states’ fees. Even after the recent increase, New Mexico vehicle registration fees continue to be quite low in relation to other states.

The DOT-related revenues discussed in this bill s are used to support Governor Richardson’s Investment Partnership (GRIP) transportation infrastructure initiative.

DW/yr:lg