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## FISCAL IMPACT REPORT

**SPONSOR** Rodella      **DATE TYPED** 3/01/05      **HB** 880/aHTC

**SHORT TITLE** Cumbres & Toltec License Plates      **SB** \_\_\_\_\_

**ANALYST** Hadwiger

### APPROPRIATION (in \$000s)

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

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	See Narrative			

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Transportation (DOT)

Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of HTC Amendment

The amendment makes technical changes to the bill.

#### Synopsis of Original Bill

House Bill 880 would require the Motor Vehicle Division (MVD) of the Taxation and Revenue Department to issue special license plates featuring artwork related to the Cumbres and Toltec

Scenic Railroad (C&T). The C&T would determine the color and design of the plates. Persons desiring C&T license plates would pay a fee of \$40.00, of which \$25.00 would go to the C&T. The remaining \$15.00 would be used the first year to manufacture and issue the plates. In ensuing years, the \$15.00 would be allocated according to Section 66-6-23 NMSA 1978 designation distribution of funds in the Motor Vehicle Suspense Fund.

### Significant Issues

In the past, the C&T required minimal operating subsidies as long as ridership remained at or above 50,000 passengers per year. From 1995 through 2001, ridership fluctuated between 50,000 and 70,000 passengers per year. To achieve this level of ridership, C&T needs to operate a minimum of three locomotives. Four factors drove ridership down in FY02, FY03, and FY04:

1. In the aftermath of the 9/11 terrorist attacks, tourism declined nationwide. Because of the attacks, C&T's 2001 season finished below projections.
2. In May 2002, the Federal Railroad Administration issued work orders for track shoulder enhancements that delayed opening of the railroad by two weeks.
3. On the day the railroad was to open in 2002, the U.S. Forest Service closed the forest to all operations due to extreme fire danger, causing the C&T to lose more than 35 days of revenue.
4. During the 2003 season (FY03 and FY04) C&T operated with only one locomotive, constraining ridership and revenues accordingly.

Prior to FY04, C&T received little funding (about \$10 thousand per year) for operating costs from each state, whereas most state support (more than \$400 thousand from each state per year) supported capital costs. Until FY04, Colorado and New Mexico generally provided equal appropriations to C&T. The decline in railroad ridership and revenues coincided with budget shortfalls in Colorado. New Mexico assumed a greater share of the cost of supporting C&T operations in FY04 and FY05. New Mexico's support for operating costs climbed from \$10 thousand per year to \$710 thousand in FY04 and to \$800 thousand in FY05. In FY06, C&T expects ridership will again reach 50,000 passengers. The C&T budget has two major sources of uncertainty about operating revenues. First, as history indicates, actual ridership, and thereby enterprise revenues, is affected by a host of factors beyond the control of C&T. If ridership does not increase to the projected level or if unanticipated costs are incurred, C&T's need for state support may change during FY06. Also, Colorado might not match the New Mexico appropriation for FY06.

More pressing than funding for operating costs, C&T is confronting a need for about \$6 million per year for capital improvements, primarily to maintain and upgrade tracks and right-of-way and to refurbish locomotives and cars.

HB880 would provide a revenue stream that would help stabilize C&T's finances.

### **FISCAL IMPLICATIONS**

HB880 would generate an indeterminate amount of revenue to C&T, depending on the number of special license plates purchased or renewed each year. It is unlikely the revenues would have a significant impact in FY06, depending on how long it takes to design and produce the license plates.

## TECHNICAL ISSUES

The Department of Transportation identified the following technical issues:

- The bill provides that the Cumbres & Toltec Scenic Railroad Commission “*shall determine the color and design*” of the special plate. This could conflict with Section 66-3-424 NMSA 1978 which provides for “Standardized Special Registration Plates with Logos”. Section 1, Subsection B of the bill should be rewritten to specify the Cumbres & Toltec Scenic Railroad Commission that will consult with (or participate with) the Motor Vehicle Division in the design of the plate in accordance with Section 66-3-424 NMSA 1978.

Section 66-3-424 NMSA 1978 includes provisions regarding the dimensions and placement of the logo, specifies that any special plate must “*display the colors of state flag, red lettering on a yellow background*”, and display the phrases “*New Mexico USA*” and “*Land of Enchantment*”.

- Section 1, Subsection C (on page 2, line 9) provides that “*The owner of a motor vehicle shall apply and pay a fee each year that the owner wishes to retain and renew*” the special plates. There appears to be no reason to “*apply*” for the special plate every year.
- Section 1, Subsection D, Paragraph (1), on page 2, line 16, states that the \$15 portion of the fee directed to the Motor Vehicle Division applies to any “*fee collected the first year a special Cumbres and Toltec scenic railroad registration plate is issued*”. This could be interpreted two ways: 1) MVD keeps \$15 for issuing each new plate; or, 2) MVD keeps \$15 for each plate issued during the first year the plate (program) is available. Presumably, MVD should keep \$15 for each plate issued in subsequent years of the program. It might be more clear to predicate MVD’s fee on “*issuance of each new plate*”, and qualify the 66-6-23 distribution as applicable to “renewal” of the special plate.
- This bill, and probably all existing special plate legislation, generally does not address the two-year registration option. Presumably, MVD has figured-out how to assess appropriate fees for issuing a new special plate in conjunction with a two-year registration option.

DH/yr