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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/09

SPONSOR Cisneros LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Boat Registrations & Regulation SB 436

ANALYST Woods

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands) \*

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
NFI	NFI	NFI	Recurring Increase starting in FY12	Parks Operating Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 146

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Administrative Office of the Courts (AOC)

Energy, Minerals and Natural Resources Department (EMNRD)

#### No Responses Received From

Taxation and Revenue Department (Request for comments sent on 2-4-09.)

### SUMMARY

#### Synopsis of Bill

SB 436 amends the New Mexico Boat Act [66-12-1 to 66-12-24 NMSA 1978]. The proposed amendments clarify and confirm the respective roles of the Motor Vehicle Division (MVD) and

\* EMNRD projections

the State Parks Division (SPD) that have evolved in the administration of the boat registration and titling program, and are primarily procedural and language clean-up. The proposed amendments also change the boat registration cycle from three years to two years, and re-establish a \$2.00 administrative fee on boat registrations retained by the MVD, a fee that “sun-setted” December 31, 2006.

There is no appropriation attached to this legislation.

### **FISCAL IMPLICATIONS**

EMNRD notes that SPD uses boat registration revenue to leverage recreational boating safety federal grant funds from the U.S. Coast Guard. The recreational boating safety grant match requirement is 1:1 which enables SPD to get excellent leverage for state revenues (dollar-for-dollar). EMNRD additionally advises that:

- Federal boating safety funds available to SPD have increased from approximately \$300.0 in FY 05 to a budget amount of approximately \$1,000.0 in FY 08—an increase of approximately \$700.0 that is potentially available to SPD if state matching funds are available. Boat registration revenue to SPD, however, has declined from \$562.0 in FY99 to a projected \$415.0 in FY09—a reduction of 26 percent. This means that SPD is missing a large opportunity in that SPD now is not able to provide the maximum match to available federal funds from boat registration fees.
- Reducing the boat registration cycle from three years to two years as proposed in SB 436 will be revenue neutral through FY11, but will gradually result in a positive fiscal impact after FY11, as boat registrations expire and require renewal at the new, two-year length, which will result in registration payments more often over time. Starting in FY12, and for subsequent fiscal years following, SPD will begin to realize a modest recurring budget increase ranging from \$60.0 to \$80.0. All increased recurring revenue from boat registrations would be used to leverage recreational boating safety federal grant funds.
- The re-establishment of a \$2.00 administrative charge will enable MVD, which currently receives no funding to manage boating registrations, to update and upgrade the vessel registration system to stay current with federal vessel identification requirements and improve it for law enforcement and the public while decreasing the demand for operational dollars from the General Fund.

AOC advises that there will be a minimal administrative cost for statewide update, distribution and documentation of statutory changes. Any additional fiscal impact on the judiciary would be proportional to the enforcement of this law and commenced prosecutions. New laws, amendments to existing laws and new hearings have the potential to increase caseloads in the courts, thus requiring additional resources to handle the increase.

### **SIGNIFICANT ISSUES**

EMNRD indicates that this bill would achieve important objectives for both MVD and SPD. The proposal would: (1) clean-up language in the Boat Act to clarify and confirm the respective

roles of MVD and SPD in the administration of the Boat Act that have evolved over the years; (2) shorten the boat registration cycle from three years to two years in order to make it more consistent with other registration cycles in New Mexico; and (3) authorize MVD to add a \$2.00 charge to boat registrations to defray the costs of administering the boat registration program. EMNRD additionally raises a number of discussion points:

- A major ingredient in providing quality recreation in New Mexico is ensuring adequate access to boating and fishing opportunities. SPD has an active program that has the responsibility of maintaining boating programs and boater access on 20 state park lakes, which are among the most heavily used lakes in the state. The costs of the boating program continue to rise due to general program expenses (salaries, supplies, etc.), drought (which has required additional work to extend boat ramps), construction cost increases (e.g. steel, concrete) and increased responsibilities at more sites (e.g. new parks, more new boat ramps at existing parks).
- From FY 03-FY 08 the state averaged approximately thirty-eight thousand registered boats. Revenues from boat registration fees go directly to SPD (except for any funds retained by MVD) and are a vital funding source for the boating program that reduces demands for operational dollars from the General Fund. Boat registration funds are even more important to SPD since they provide a match to federal funds from the U.S. Coast Guard and other sources.
- The purpose of the federal recreational boating safety grant is to permit the states to assume the primary share of boating safety education, assistance, and enforcement activities and to assist the states in carrying out a state recreational boating safety program and encourages greater state participation and uniformity in boating safety. Each state must agree to provide non-federal amounts of fund match to complete recreational boating safety program objectives. The match can be derived from general state revenues, vessel numbering fees, marine fuel taxes, or from a fund constituted from the proceeds of those taxes and established to finance the state boating program.
- Unfortunately, boat registration revenue to SPD has declined from \$562.0 in FY99 to a projected amount of \$415.0 in FY09—a reduction of 26 percent. This reduction is now having a serious impact on the State Parks' boating program and is jeopardizing SPD's ability pay for its operations and to match all available federal funds. State Parks must do something to address this decline in this revenue source that is needed to match all available federal funds. In addition, SPD has a new mandatory boater safety education program to administer, which has been successful in serving more and more boaters each year and has the state on track to have one of the best boater safety programs in the nation.
- Boat registrations in New Mexico are currently on a three-year cycle (boat owners must re-register their boats every three years). In contrast, all other similar registration fees handled by the MVD such as automobiles, motorcycles, and recreational vehicles are charged annually. (MVD does offer a two-year vehicle registration renewal option as a convenience, but the cost is simply double the annual fee.) SB 436 proposes to shorten the boat registration cycle from three to

two years. While this would not change the registration fee itself, it would have the effect of costing boaters more to register their boats over time. Boat registration fees in New Mexico, have not been changed in 24 years (since 1984), and are significantly lower than registration fees in all surrounding states. In fact, most states currently charge for a one-year boat registration what New Mexico is currently charging for a three-year boat registration. Even with shortening the boat registration cycle to two years, New Mexico would still have the lowest per-year boat registration fees in the Southwest.

- SB 436 also re-establishes a \$2.00 MVD administrative fee on boat registrations. This same charge is already part of registration charges for other MVD registration renewals (such as motor vehicles) but not for boats. MVD did get to keep a small percentage of boat registration fees (three percent of the registration fee) to defray administration costs until another law sun-setted since 2007, but has not retained administrative fees since then.

### **PERFORMANCE IMPLICATIONS**

EMNRD suggests that enactment of the SB 436 will benefit attainment of performance measures for SPD by providing additional funds for boat access improvements throughout the state parks. Such improvements are critically important to maintaining and increasing visitation and revenue.

AOC notes that the courts are participating in performance-based budgeting. This bill may have an impact on the measures of the district courts in the following areas:

- Cases disposed of as a percent of cases filed
- Percent change in case filings by case type

### **ADMINISTRATIVE IMPLICATIONS**

EMNRD states, “SPD is currently administering its responsibilities under the Boat Act in conjunction with MVD. SPD will have to revise regulations to conform to any new statutory language, but the revisions are minor and will not create a large administrative burden.”

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

EMNRD indicates that there is a relationship between SB 436 and HB 146 because they both affect statutory language regarding MVD. The most significant relationship issue is the definition and reference of the Motor Vehicle Division and State Parks Division. For instance, HB 146 proposes the creation of a Motor Vehicle Department and would eliminate references in statute to the Motor Vehicle Division. If HB 146 is enacted, this change, along with other language clean up, will have to be corrected and made consistent, though the corrections would not be urgent to make.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

EMNRD concludes that, “The Boat Act will continue to include outdated and confusing language with respect to the respective roles of MVD and SPD. The boat registration cycle will remain at three years and SPD may lose opportunities to tap federal boating funds due to a lack

of sufficient state funding match. MVD will continue to lack the authority to retain a small administrative fee for processing boat registrations, though it has this authority for all other motor vehicle registrations.”

**AMENDMENTS**

None suggested by respondents.

BW/svb