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

ORIGINAL DATE 01/30/12
SPONSOR Larranaga **LAST UPDATED** **HB** 49

SHORT TITLE Motor Vehicle Tax to State Road Fund **SB**

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	**FY14**	**FY15**		
		(21,104)	Recurring	General Fund
		21,104	Recurring	Road Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Transportation (DOT)

SUMMARY

Under current law 100% of motor vehicle excise tax revenue is distributed to the General Fund. HB 49 would distribute 16.67% of net revenue to the Road Fund and the remainder to the General Fund beginning in FY 2015. The distribution must not be used for debt financing or debt service, but only direct use for “pavement preservation, rehabilitation or reconstruction and bridge replacement and rehabilitation projects as identified in the Department of Transportation’s current statewide transportation improvement program.”

FISCAL IMPLICATIONS

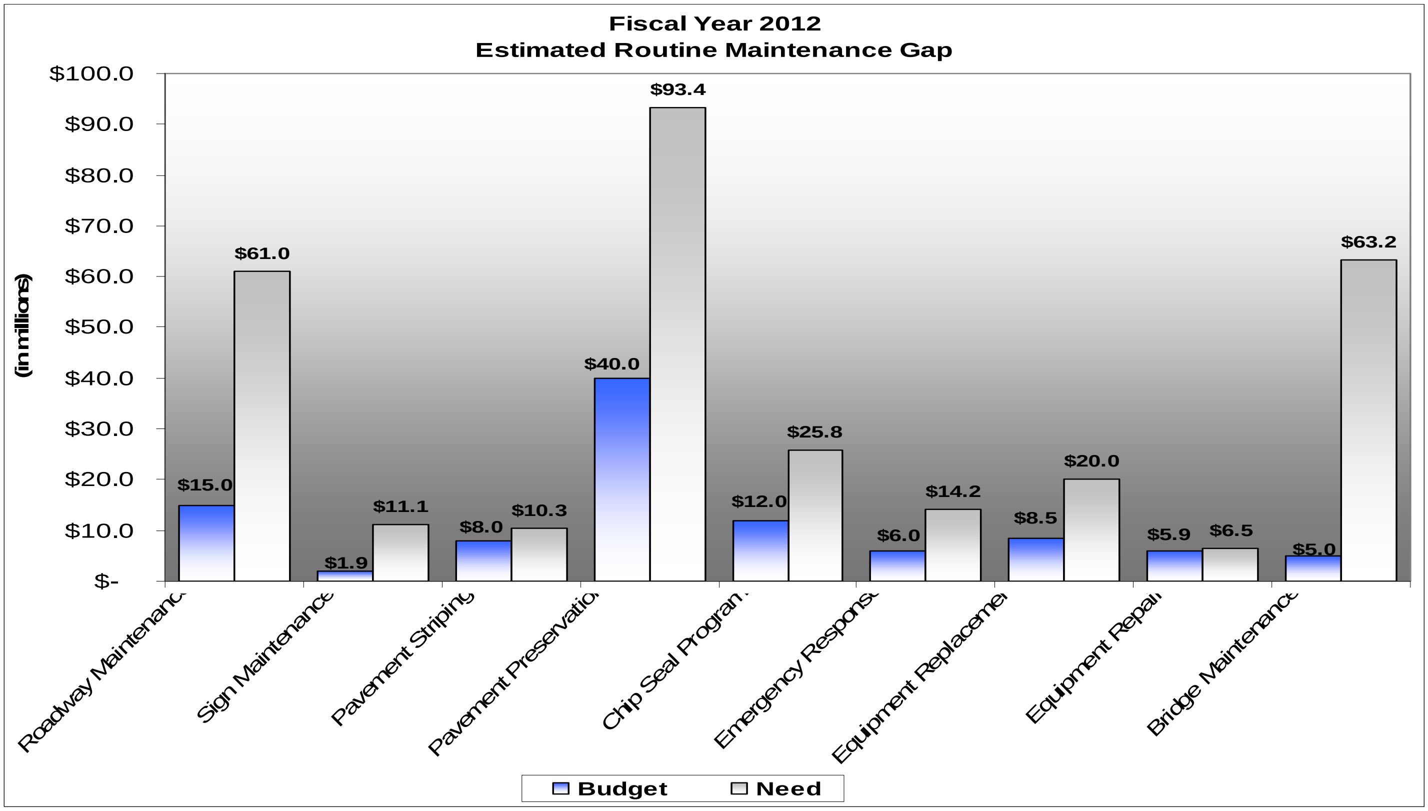
Revenue impact estimates are based on December 2011 Consensus Revenue Forecast for the State General Fund as published by Department of Finance and Administration and Legislative Finance Committee

SIGNIFICANT ISSUES

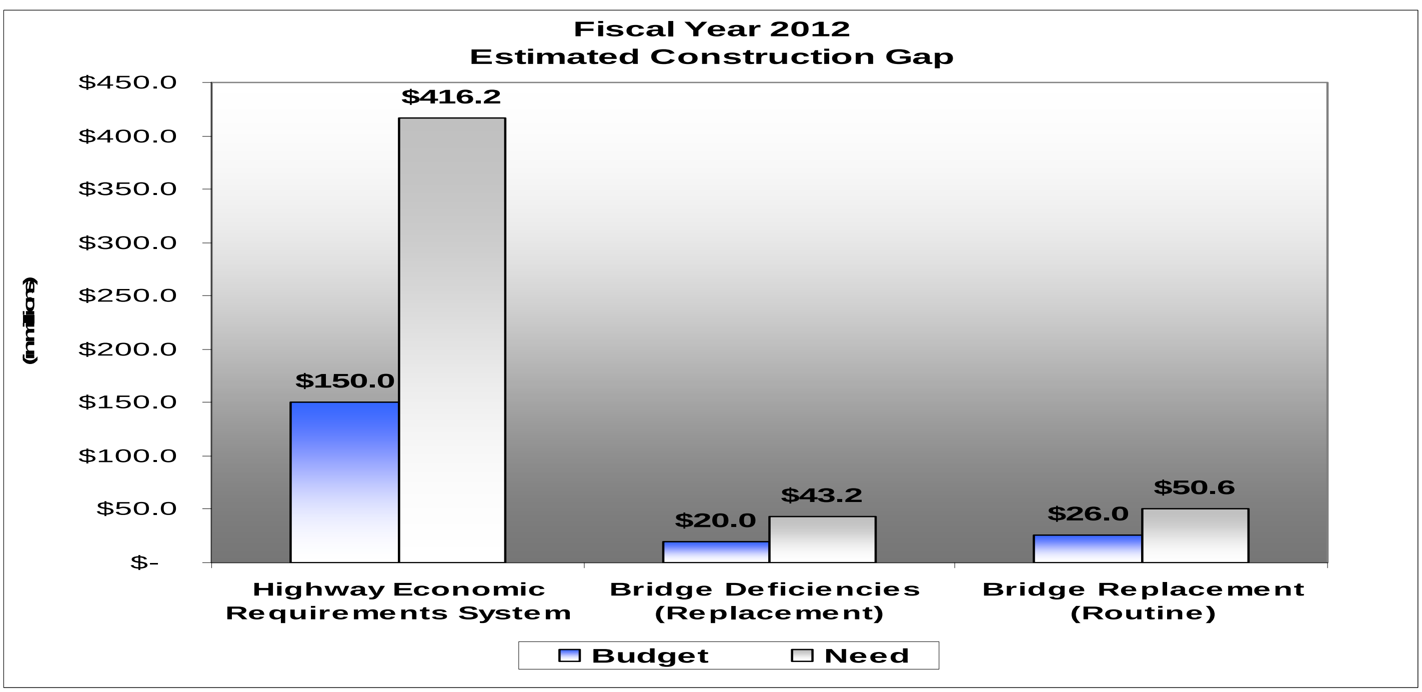
Current estimates provided by NMDOT forecast routine maintenance gaps of approximately $200 million per year and highway construction gaps of another $300 million per year. Costs of pavement preservation alone require recurring revenues of at least $65 million; in FY12 only half of that funding is available. Major funding shortfalls exist for the most basic maintenance needs – chip seal, pavement striping, guardrail repair, sign and signal improvement, heavy equipment repair and replacement – are far below required levels. Ten percent of the bridges in the state are structurally deficient. Unfunded major investment projects like the Paseo del Norte/I-25 interchange, the Hatch interchange, U.S. 491, U.S. 64, U.S. 54, and others total over $800 million.

NMDOT balances expenditures to revenue as appropriated by the State Legislature. Currently, federal revenues for FY13 are projected to be flat with FY12 levels at approximately $403.5 million, although continued political uncertainty in Washington, D.C. related to the reauthorization of the SAFE, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) could lead to significant federal funding shortfalls – perhaps as much as $123.5 million for the state. State Road Fund revenues – the other critical component of revenues for state roads, highways, and bridges – have not recovered as quickly as expected. The July 2011 forecast used for the FY13 budget request previously incorporated a return to traditional growth patterns of two to three percent. Subsequent revisions predicted a far slower and longer recovery. The current forecast for unrestricted State Road Fund revenues in FY13 is down $10.1 million dollars to $385 million. Close to $22 million of unrestricted State Road Funds is automatically directed to payment of debt service obligations. An objective analysis suggests that current revenues are not close to expected needs, leading to a deficient and, more importantly, unsafe transportation infrastructure across the state.

A graphical representation is as follows:



In addition, the estimated construction gap reflects a number of a number of "total reconstruction" projects that need to be implemented in order to maintain the economic activities of the state. A graphical representation is as follows:



OTHER SUBSTANTIVE ISSUES

This bill may violate the LFC tax policy principle of adequacy. According to the LFC General Fund Recurring Appropriation Outlook for FY14 and FY15 the December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations. Since currently forecasted revenues in FY14 and FY15 may not be adequate to fund government services there is insufficient funds for additional tax cuts.

SS/amm