

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 81a

51st Legislature, 1st Session, 2013

Tracking Number: .190955.4

Short Title: Motor Vehicle Tax to Road Fund & Requirements

Sponsor(s): Representative Larry A. Larrañaga and Others

Analyst: Ian Kleats

Date: February 18, 2013

AS AMENDED

The House Transportation and Public Works Committee amendments:

- **limit receipts attributable to the motor vehicle excise tax to tax, exclusive of penalties and interest;**
- **clarify that each monthly distribution from the Motor Vehicle Suspense Fund to the State Road Fund shall be equal to one-twelfth of the aggregate \$25 million; and**
- **provide that the bill's provisions apply to motor vehicle excise tax receipts collected from sales occurring on or after July 1, 2013 and prior to July 1, 2014 (see Technical Issues, Amendments, below, for issues arising from this provision).**

Original Bill Summary:

HB 81 amends sections of the *Motor Vehicle Excise Tax Act* and makes an appropriation to the New Mexico Department of Transportation (NMDOT) effective July 1, 2013. Among its provisions, the bill would:

- distribute \$25 million from receipts in the Motor Vehicle Suspense Fund attributable to the motor vehicle excise tax to the State Road Fund from July 1, 2013 through June 30, 2014; and
- appropriate \$25 million to NMDOT for the department's major investment projects:
 - allowing for NMDOT to require other political subdivisions benefitting from the appropriation to deposit local matching funds; and
 - requiring NMDOT to submit a spending plan for a project to the Legislative Finance Committee.

Fiscal Impact:

HB 81 appropriates \$25.0 million from the State Road Fund to the NMDOT for the department's major investment projects.

Although, as provided in HB 81, the distribution to the State Road Fund would occur in FY 14, distributions from the Motor Vehicle Suspense Fund during July 2013 will include revenue accruing to FY 13. The revenue impact assumes 12 equal monthly distributions of \$2.083 million totaling \$2.0 million.

Estimated Revenue Impact*				R or NR**	Fund(s) Affected
FY 13	FY 14	FY 15	FY 16		
(2,083)	(22,917)	0	0	NR	General Fund
2,083	22,917	0	0	NR	State Road Fund

* In thousands of dollars. Parentheses () indicate a revenue loss.

** Recurring (R) or Non-Recurring (NR).

Fiscal Issues:

The provisions of HB 81 would decrease General Fund revenue by \$25.0 million between FY 13 and FY 14.

Based on *General Appropriation Act* appropriations for the last five years, the Legislature has appropriated approximately 43.5 percent of General Fund revenue for public education. The reduction of revenue from the General Fund as proposed in this bill could result in decreased annual appropriations of \$10.88 million for public education.

Substantive Issues:

The economic impact of any project funded through the diversion of tax revenue should be judged relative to economic impacts from other likely uses of the government revenue. General Fund appropriations comprise many diverse uses, with the largest proportion going to fund public education. Without strong evidence to the contrary, an assertion that tax increases have a negative economic impact larger than economic base jobs and expenditures associated with public education or any other governmental program might be considered speculative.

Moreover, New Mexico’s State Equalization Guarantee education funding formula implies that over 40 percent of increased government expenditures would be spread equitably across the state, affecting small rural communities in a proportionate level to larger urban communities. It is unclear whether these transportation projects could ensure the same equitable economic impact to all communities that public school funding would provide, even absent any discussion of the relative economic multiplier effects of the policy.

Technical Issues, Amendments:

The HTPWC amendment providing that the bill’s provisions apply to motor vehicle excise tax receipts collected from sales occurring on or after July 1, 2013 and prior to July 1, 2014 raises at least on technical issue. No distribution would occur in July 2013 because none of the receipts in the Motor Vehicle Suspense Fund could be attributable to sales occurring after July 1, 2013. Additionally, receipts attributable to sales occurring in June 2014 would not be distributed until July 2014.

The 12-month structure of the distribution, from July 1, 2013 through June 30, 2014, doesn’t coincide with the revenue accrual schedule. In the introduced bill, this resulted in one month of revenue from FY 13 being diverted. As amended by the HTPWC, though, the bill would only distribute 11 months of funds in FY 14, which might not have been the intent of the committee.

This issue could be addressed by retaining the HTPWC amendment, but further amending the distribution timeline on page 1, line 25 to end on July 31, 2014. This would allow 12 full months of distributions to be made, all coming from FY 14 motor vehicle excise tax accruals.

Committee Referrals:

HTPWC/HTRC/HAFC

Related Bills:

HB 410 *Motor Tax for Highway Projects & Project Fund*