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FISCAL IMPACT REPORT

ORIGINAL DATE 2/3/15
SPONSOR Cotter **LAST UPDATED** _____ **HB** _____

SHORT TITLE Limit Car-Related Fees & Taxes for Roads, CA **SJR** 3

ANALYST Jorgensen

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
Unknown	Unknown	Unknown	Recurring	General

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	>\$15.2	>\$15.2	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)
 New Mexico Finance Authority (NMFA)
 Tourism Department (TD)
 New Mexico Environment Department (NMED)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 3 proposes to amend the constitution to restrict the use of any revenue generated from taxes, fees, surcharges, and excises related to motor vehicle use or sale to road projects including construction, maintenance, improvement, and debt service, as well as to the costs to administer the laws imposing the taxes. The bill would allow revenue currently generated through taxes, fees, surcharges, and excises on motor vehicle sale or use and directed to purposes other than roads and tax administration to continue at the current rate provided for by law on the date of adoption of the amendment.

FISCAL IMPLICATIONS

The proposed constitutional amendment would not impact state revenue collection or disbursement as the current disbursement amounts are grandfathered in. However, the bill would restrict the flexibility of future legislatures to levy and direct new taxes on motor vehicle fuels, purchase, registration, and use.

Under Section 1-16-13 NMSA 1978 and the NM constitution, the SOS is required to print samples of the text of each constitutional amendment, in both Spanish and English, in an amount equal to ten percent of the registered voters in the state. The SOS is also required to publish them once a week for four weeks preceding the election in newspapers in every county in the state. In 2014, the SOS estimated the cost per constitutional amendment to be \$15,217. However, if the ballot size is greater than one page, front and back, it would increase the cost of conducting the general election. In addition to the cost of the ballot, there will be added time for processing voters to vote and would mean additional ballot printing systems would be required to avoid having lines at voting convenience centers.

SIGNIFICANT ISSUES

DOT notes that currently, portions of revenue from designated motor vehicle sources are used for non-transportation purposes. For example, some gasoline tax revenue is distributed to the state general fund, local general funds, and to tribes without the proposed restrictions. Under the provisions of this bill, additional revenue could not be newly directed to such undesignated uses.

This legislation may have an adverse impact on small counties and municipalities. Under 7-1-6.9(D) NMSA 1978, the distribution of gasoline tax revenue to a county's or municipality's may be directed to the recipient's *general fund* if the receiving county has a population of 4 thousand or less, or if the municipality has a population of less than 3 thousand. Restricting the use of the fund may increase administrative costs as small counties and municipalities would have to track gasoline tax revenue separately from the rest of the general fund. As of the 2010 census, there were three counties with a population of less than 4 thousand and 130 municipalities with a population of less than 3 thousand.

NMED notes the corrective action fund, which pays costs for underground contamination clean-up, relies on a fixed dollar distribution from loading gasoline and special fuels. The provisions of this bill would prevent an increase in the loading fee from being directed to the corrective action fund.

Freezing distributions of taxes on motor vehicle fuel and other taxes and fees on vehicle registrations and highway use may have adverse impacts on counties and municipalities that rely on fixed dollar distributions from transaction fees on vehicle titles and registrations. If this constitutional amendment is adopted, the purchasing power of these transaction fee receipts will decrease as inflation increases.

TECHNICAL ISSUES

DOT notes the interpretation of certain language in this bill may be ambiguous. The grandfathering of current revenue purposes may be interpreted two ways: 1) current distribution percentages to non-allowed uses must decrease if tax rates increase, or 2) current distribution

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percentages of total receipts on currently imposed taxes may not increase, but they may remain the same if the rate increases. Terms are not defined so it may not be clear which taxes on which property or actions would be included. For example, it may not be clear if taxes, excises, surcharges, and fees imposed by the State on motor vehicle fuels would include the gross receipts tax on diesel used by vehicles not operated on highways or if taxes, excises, surcharges, and fees imposed by the State on the use of motor vehicles on public highways would include the gross receipts tax on tires or on limousine services, etc.

POSSIBLE QUESTIONS

Would the restrictions in the proposed amendment prevent tax, fee, surcharge, and excise revenue from being used for anti-DWI programs?

ANA/bb