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

SPONSOR Fajardo **ORIGINAL DATE** 2/1/16 **LAST UPDATED** 2/17/16 **HB** 242/aSFC

SHORT TITLE Permanent Distribution to Aviation Fund **SB**

ANALYST Jorgensen

REVENUE (dollars in thousands)

Estimated Revenue				Recurring or Nonrecurring	Fund Affected
FY17	**FY18**	**FY19**	**FY20**		
NFI	NFI	($1,130.0)	($1,190.0)	Recurring	General
NFI	NFI	$1,130.0	$1,190.0	Recurring	State Aviation Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

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

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment to House Bill 242 extends the distribution of .0046 percent of the general fund gross receipts tax to the state aviation fund to 2021. The original bill made the distribution permanent.

Synopsis of Bill

House Bill 242 removes the delayed repeal date of June 30, 2018 in Subsection C, of Section 7-1-6.7, NMSA 1978 to make permanent the distribution of 0.046 percent of General Fund Gross Receipts Tax to the State Aviation Fund.

FISCAL IMPLICATIONS

TRD estimated the fiscal impact using the January 2016 Consensus Revenue Forecast for gross receipts tax (GRT) in FY19 and FY20, and applied the distribution rate of 0.046 percent outlined in the bill. The revenues estimated represent revenue gains to the State Aviation Fund, and revenue losses to the General Fund.

The bill would maintain the transfer to the State Aviation Fund that has been in effect since FY2003. In the absence of this bill's provisions, the transfer will be repealed in FY2019, the Aviation Fund will lose the distribution, a funding decrease of approximately 15-20 percent of all State Aviation Fund revenues.

SIGNIFICANT ISSUES

NMDOT writes:

This funding, when used on Airport Improvement Program (AIP) projects with a 10 percent commitment by State and Local Governments, may leverage 90 percent in funding from the Federal Aviation Administration. The additional Gross Receipts Tax revenue associated with AIP projects would significantly offset the cost of the state and local 10 percent match commitment.

The bill will continue to allow the use of the revenue stream for the air service assistance program, infrastructure improvements, pavement maintenance and rehabilitation, fuel farms, general aviation terminals and lighting projects at the 59 public use, public owned aviation facilities throughout the State.

ADMINISTRATIVE IMPLICATIONS

According to TRD, this bill has moderate impact on financial distribution business processes. This bill makes the distribution of a portion of the gross receipts tax permanent to the state aviation fund. Programming changes will be required to the GenTax system to account for the change in distribution.

OTHER SUBSTANTIVE ISSUES

This distribution to the State Aviation Fund began in 2002, was extended by the Legislature in 2007, and expired on June 30, 2012. There was an attempt in the 2012 Legislative Session (Senate Bill 219) to make the revenue stream permanent; however, the bill died. Thereafter, in the 2014 Legislative Session, the funding was temporarily reinstated by the passage of Senate Bill 2; however, will again expire on June 30, 2018 if not made permanent.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 242 on similar legislation is not enacted during the 2017 legislative session, the distribution to the state aviation fund will cease and the general fund.

NMDOT notes the discontinuation of this revenue stream will impact NMDOT's short and long range planning processes. It may delay or eliminate projects that are currently in the Capital Improvement Plan. This revenue is used, in part, for NMDOT Aviation Division programs related to the air service assistance and infrastructure improvements at the fifty-nine (59) public use public owned aviation facilities throughout the State. It will impact projects relating to safety, security and emergency services.

CJ/jle/al