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FISCAL IMPACT REPORT

SPONSOR <u>Hochman-Vigil</u>	LAST UPDATED <u>3/13/2023</u>
SHORT TITLE <u>Aviation Fund GRT Distribution Sunset</u>	ORIGINAL DATE <u>1/30/2023</u>
	BILL NUMBER <u>House Bill 78/aHTPWC</u>
	ANALYST <u>Simon</u>

REVENUE* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
	(\$3,000)	(\$3,000)	Recurring	General Fund
	\$3,000	\$3,000	Recurring	Aviation Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$3,000	\$3,000	\$6,000	Recurring	Aviation Fund
Total						

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From

Department of Transportation (NMDOT)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTPWC Amendment

The House Transportation, Public Works and Capital Improvements Committee amendment to House Bill 78 specifies the \$500 thousand transfer to the aviation fund would occur monthly.

Synopsis of Original House Bill

House Bill 78 (HB78) removes the sunset date for the current monthly distribution of gross receipts tax that would otherwise go to the general fund and increases a separate monthly distribution of gross receipts tax.

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

Currently, the state aviation fund of the Department of Transportation (NMDOT) receives monthly distributions of gross receipts tax that would otherwise be directed to the general fund. In FY22, the fund received \$1.7 million from the 0.046 percent earmark of net gross receipts. That amount is projected to grow to \$1.9 million by FY27, the latest date for which NMDOT has an estimate. Current law sunsets this provision, effective June 30, 2031, at which point this amount would be transferred to the general fund, rather than the state aviation fund. HB78 as amended by HTPWC (HB78/aHTPWC) would result in a decrease in general fund revenue, beginning in FY33.

Additionally, the bill would double a separate, monthly distribution of gross receipts tax that would otherwise be distributed to the general fund. Currently, that distribution is \$250 thousand per month, or \$3 million annually. HB78/aHTPWC would increase the distribution to \$500 thousand per month, or \$6 million annually. Although HB78/aHTPWC does not create a new fund or earmark, the bill would expand a current earmark with a continuing appropriation. LFC has concerns with including continuing appropriation language in the statutory provisions because earmarking reduces the ability of the Legislature to establish spending priorities.

Current revenue projections for the state aviation fund are included in the table below:

NMDOT Aviation Fund Revenue Projections

(in thousands)

	FY21 Actual	FY22 Actual	FY23 Proj.	FY24 Proj.	FY25 Proj.
Gasoline Tax	\$412	\$407	\$410	\$410	\$410
Jet Fuel GRT*	\$195	\$2,565	\$1,000	\$1,000	\$1,000
Aircraft License Fees	\$54	\$38	\$40	\$40	\$40
GRT	\$1,374	\$1,651	\$1,790	\$1,770	\$1,820
GRT (2007 Enhancement)	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Interest	\$19	\$27	\$120	\$70	\$20
	\$5,054	\$7,688	\$6,360	\$6,290	\$6,290

Source: NMDOT

*NMDOT states the large amount from jet fuel GRT in FY22 were the result of high fuel prices and taxpayer reporting issues that moved revenue from FY21 to FY22.

In recent years, the Legislature has supplemented revenue into the state aviation fund with nonrecurring general fund appropriations, making this additional recurring distribution potentially redundant. In 2021, the Legislature included \$10 million in the special session appropriation bill for regional airports and an additional \$5 million was included in the General Appropriation Act of 2022. Information from the state's accounting system shows although these funds have been committed to projects by the department, a majority have yet to be spent (funds

are distributed on a reimbursement basis). The department has committed \$14.9 million of the \$15 million appropriated but, as of January 30, only \$1,535 has been expended. NMDOT staff reported a projected, unbudgeted fund balance of \$4.4 million, although department staff have indicated the department would like to budget those fund and make project awards to local airports.

House Appropriations and Finance Committee Substitute for House Bills 2 and 3, as amended by the Senate Finance Committee, includes a nonrecurring general fund appropriation of \$55 million for airport improvements statewide.

SIGNIFICANT ISSUES

Revenue directed to the state aviation fund is used to fund operations of the Aviation Division. For FY23, the division has an operating budget of \$5.9 million, with \$4.8 million of the that available for grants to the 50 local airports supported by the Aviation Division. Funding is used as a match for federal funds, to provide for routine maintenance, and fund projects for which federal funds are not possible, such as the purchase of equipment. When used as a match for federal funding, state dollars provide significant leverage of federal Airport Improvement Funds, which requires only a 10 percent local match for projects. As a result, an additional \$3 million in project funding could leverage up to \$27 million in federal funds for airport projects.

TECHNICAL ISSUES

NMDOT noted the original bill strikes language that states the distribution occurs monthly. Analysis received from both NMDOT and the Taxation and Revenue Department appear to interpret the intent of the bill to be that the distributions continue to occur on a monthly basis. As a result, this FIR does the same. If that is the intent, NMDOT suggests the word “monthly” be inserted before the period on Page 2, Line 21. **The House Transportation, Public Works and Capital Improvement Committee amendment addresses this issue.**

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