

Revenue Stabilization and Tax Policy Committee

August 23, 2024



New Mexico DEPARTMENT OF
TRANSPORTATION
MOBILITY FOR EVERYONE





Agency Vision Statement:

Set the standard for a safe, reliable, and efficient transportation system.

Mission Statement

Provide a safe and efficient transportation system for the traveling public, while promoting economic development and preserving the environment of New Mexico.

Department of Transportation by the Numbers

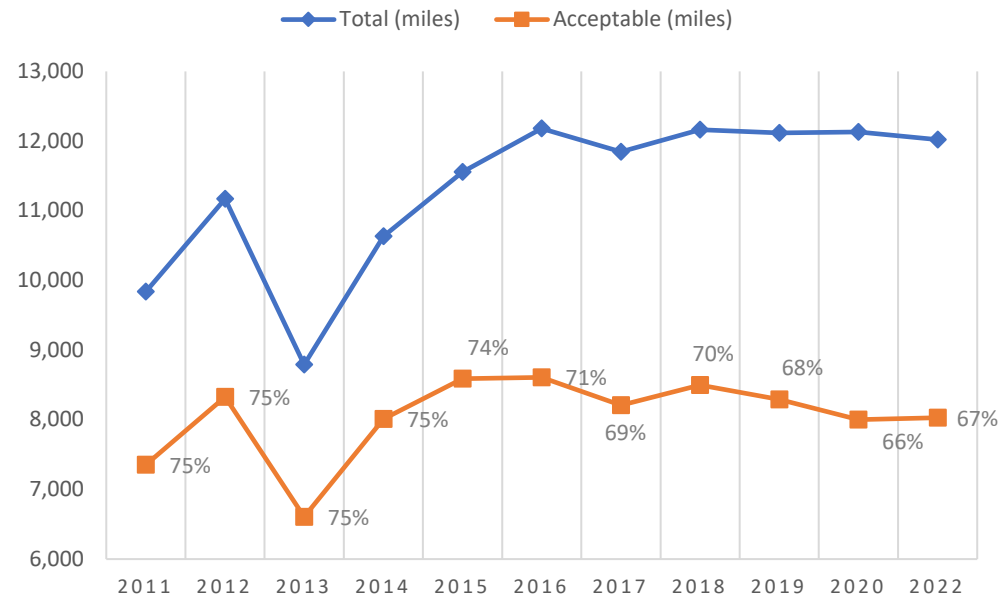
- More than 2,500 employees
- Budget for FY 24 at \$1.3 billion
- 90 active projects totaling more than \$1.2 billion
- 16 rest areas
- 82 patrols
- 12,272 centerline miles of highway infrastructure statewide
- 34 construction crews
- 28 construction offices.

NM Road Conditions



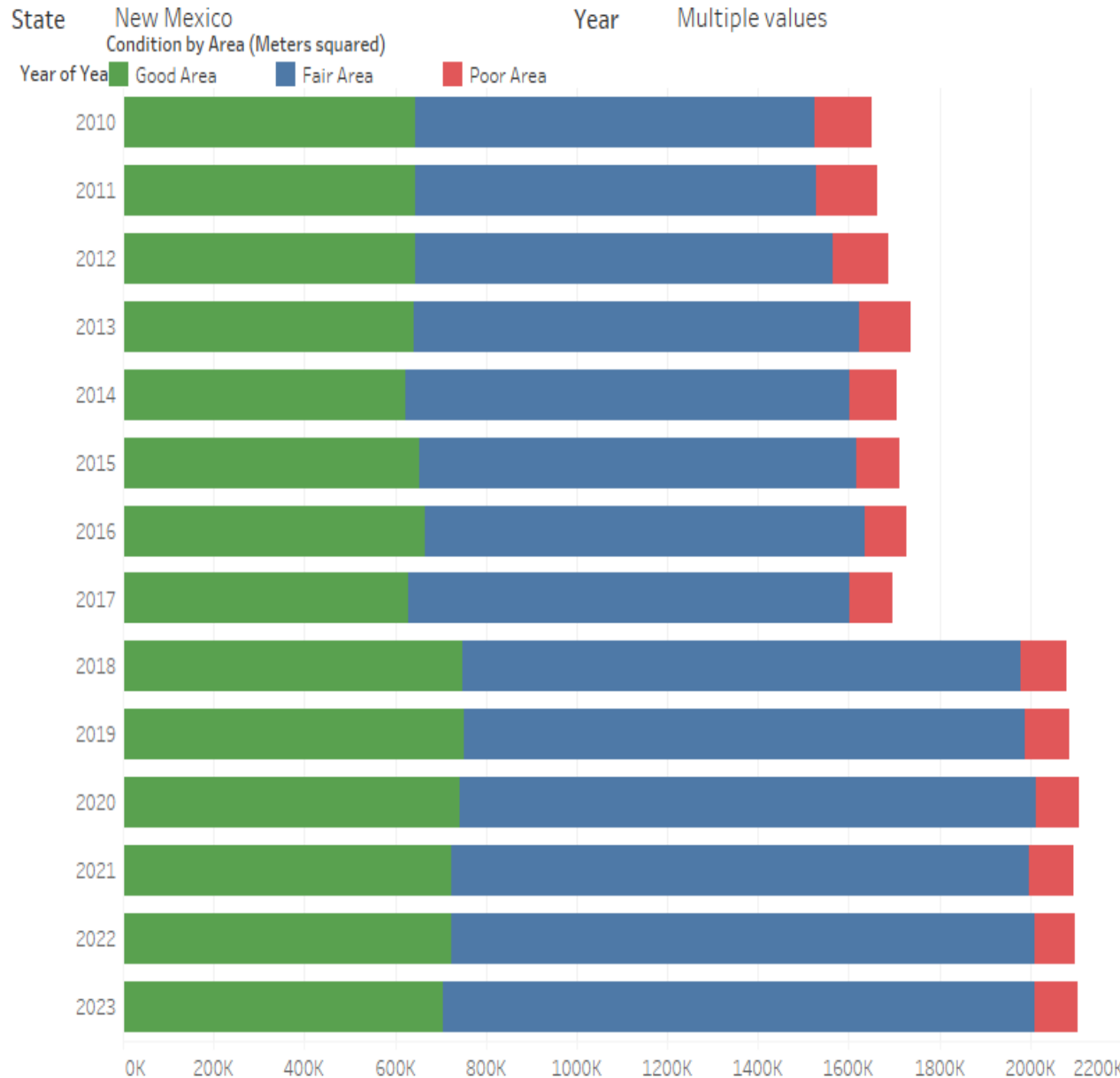
- ❖ 2024 New Mexico TRIP report, found that New Mexico’s deteriorated roads cost New Mexicans **\$3.3 billion annually** (\$1.4 billion in vehicle operating costs; \$919 million in safety costs; and \$1 billion in congestion costs).
- ❖ **\$6.6 billion** in needed but unfunded transportation projects.

TOTAL VS ACCEPTABLE ROADS, NM



- ❖ The percentage of acceptable roads in New Mexico has decreased from **75% in 2011** to **67% in 2022**.

NM Bridge Conditions



•2018-2023 Trends:

- Gradual decrease in the **Good Area**.
 - Stability in the **Fair Area** but with a slight reduction toward 2023.
 - Noticeable increase in the **Poor Area** in 2019 and 2023, signaling areas requiring urgent maintenance.
- 2024 TRIP report found that of New Mexico's 4,037 bridges
 - **5%** were in **Poor** condition
 - **60%** were in **Fair** condition
 - **35%** were in **Good** condition



Distribution of State Road User Revenues

		January 2023 Forecast (\$ Millions)				% of total (FY 2022)	
		2021	2022	2023	2024	Road Fund	NMDOT State Rev
Gasoline Tax (17.0 cents / gallon)	→ 5.76% to County Government Road Fund	9.1	9.0	9.1	9.0		
	→ 0.13% to Motorboat Fuel Tax Fund	0.2	0.2	0.2	0.2		
	→ 0.26% to State Aviation Fund	0.4	0.4	0.4	0.4		
	→ 10.38% to Municipalities and Counties	16.1	16.2	16.4	16.3		
	→ 76.27% to State Road Fund - (~13 cents per gallon)	116.3	114.8	116.3	115.0	21.0%	17.9%
	→ 5.76% to Municipalities	9.1	9.0	9.1	9.0		
→ 1.44% to Municipal Arterial Program (MAP - Local Governments Road Fund)	2.3	2.3	2.3	2.3			
Special Fuel (Diesel) Tax (21.0 cents/gallon -- effective 7/1/2004)	→ 90.48% to State Road Fund - (19 cents per gallon)	122.1	136.9	136.3	136.1	25.1%	21.3%
	→ 9.52% to Local Governments Road Fund	12.7	14.3	14.3	14.2		
Petroleum Products Loading Fee (1.875 cents/gallon)	→ 26.67% to Local Governments Road Fund	7.8	7.9	8.0	7.9		
	→ 73.33% to Corrective Action Fund (NM Environment Department)	21.4	21.8	22.0	21.8		
Weight Distance Tax (1¢-4¢/mile)	→ 100% to State Road Fund	99.7	105.3	106.5	107.8	19.3%	16.4%
Trip Tax (7¢-16¢/mile)	→ 100% to State Road Fund	8.0	9.5	7.8	8.4	1.7%	1.5%
Over-size / Overweight Fees	→ 100% to State Road Fund	7.0	7.2	7.3	7.5	1.3%	1.1%
Motor Trans. Regulatory Fees	→ 100% to State Road Fund	3.7	3.4	3.3	3.3	0.6%	0.5%
Vehicle Registration Fees (\$21-\$172/year) A similar distribution applies to many Miscellaneous Motor Vehicle Fees (but only Vehicle Registration Fee revenue amounts are shown in revenue table)	→ 50 cents on Each Registration to Beautification Fund						
	→ \$2.00 of each Motorcycle Registration to Motorcycle Training Fund						
	→ \$2.00 of each Motorcycle Registration to the Taxation & Revenue Department						
	→ 100% of Placard Fees to Taxation and Revenue Department						
	→ 100% of Traffic Safety Training Fee (from Penalty Assessments) and Amateur Radio Fees to State Road Fund						
	→ Tire Recycling Fee (effective 7/1/2003):						
	→ \$ 1.00 Each Motorcycle -- 50% to Highway Infrastructure Fund						
	→ \$ 0.50 per wheel of each bus -- 50% to Tire Recycling Fund						
	→ \$ 1.50 each car or light truck -- \$1.00 to Highway Infrastructure Fund						
	→ \$ 1.50 each heavy truck -- \$0.50 to Tire Recycling Fund						
<i>Effective March 1, 2004 remaining revenues go to:</i>							
→ 74.65% to State Road Fund	84.9	84.6	85.0	85.9	15.5%	13.2%	
→ 7.60% to County General Funds (allocated by Registration Fees on Vehicles in Each County)	8.6	8.6	8.7	8.7			
→ 7.60% to County Road Funds (allocated by miles of public Roads maintained)	8.6	8.6	8.7	8.7			
→ 4.06% to Municipal Street Funds (allocated by property Tax net Taxable value)	4.6	4.6	4.6	4.7			
→ 6.09% to County and Municipal General Funds (allocated by property Tax amounts due)	6.9	6.9	6.9	7.0			
Motor Vehicle Excise Tax (from 3.0% to 4.0% on July 1, 2019)	→ 21.86% to State Road Fund beginning in FY22 (it was 3.11 % in FY19 - FY21)	7.5	56.5	59.4	60.1	10.3%	8.8%
	→ District 2 received 25% in FY20 & FY21	60.2	sunset	sunset	sunset		
	→ 18.75% to Transportation Project Fund beginning in FY22	48.4	51.3	51.5			
	→ 59.39% to State General Fund beginning in FY22 (it was 71.89% in FY20 & FY21)	173.1	153.5	161.2	163.2		
Transaction Fees (\$3 per Title or Registration)	→ \$5 or \$6 to Municipal, County or Fee AGENTS						
	→ 50% to State Road Fund <i>Remaining revenues from Transaction Fees go to:</i>	1.1	1.1	1.1	1.1	0.2%	0.2%
	→ 50% to County Road Fund (allocated by miles of public roads maintained)	1.1	1.1	1.1	1.1		
Driver License Fees (\$10 per 4 year period + \$3 EDL + \$3 Driver Safety)	→ \$6 or \$7 per License to Municipal, County or Fee Agents						
	→ 100% of Remaining Drivers License Fee to S Road Fund	4.6	4.6	4.6	4.6	0.8%	0.7%
	→ 100% Limited License Fees to DWI Prevention and Education Fund	0.4	0.4	0.4	0.4		
	→ 100% DWI Reinstatement Fees and remainder of ID Cards to Local Gov. Road Fund	0.7	0.8	0.8	0.8		
	→ 100% Enhanced Drivers License Fee (\$3) to Taxation & Revenue Department	2.2	2.2	*	*		
	→ 100% Driver Safety Fee (\$3) to public schools for DWI education	1.7	1.7	*	*		
* no estimates available							
Total Local Governments Road Fund and Transportation Project Fund		25.0	76.2	79.5	79.5		
Total Amount Distributed to Local Governments & other Recipients		263.3	243.9	248.5	250.3		
Total of Gasoline, Diesel, W/D & Registrations NMDOT		422.9	441.6	444.1	444.8	80.8%	68.9%
Total State Road Fund Revenues		468.2	546.3	547.7	548.5	100.0%	85.2%
Total NMDOT Recurring (1) State Revenues		506.2	641.1	644.9	645.8	NA	100%
(1) Total NMDOT Recurring Revenue excludes MV Excise Revenue to DOT District 2 in FY21 (60.2)							
Leased Vehicle Surcharge (\$2/day)	→ 100% to State General Fund						
Leased Vehicle Gross Receipts Tax (5.0%)	→ 75% to Highway Infrastructure Fund						
	→ 25% to Local Governments Road Fund						
Alternative Fuel Tax	→ 100% to State Road Fund						

NMDOT's operating budget is the sum of state tax distributions and federal apportionments.

State tax distributions make up the State Road Fund. The largest distributions come from Gasoline Tax, Special Fuel Tax (diesel), Weight Distance Tax, and Vehicle Registration Fees.

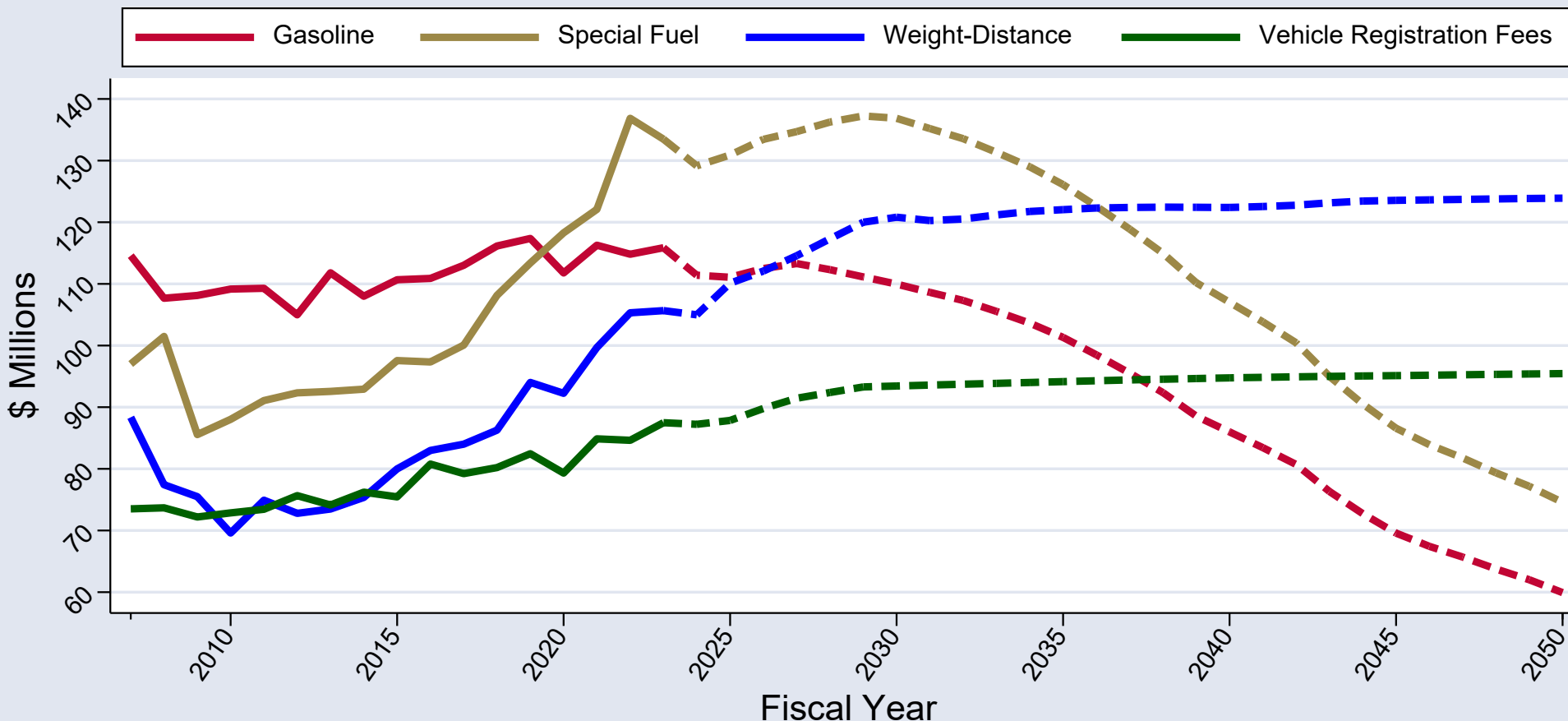
NMDOT does not currently receive any recurring General Fund from the State.

State Road Fund Long Run Forecast



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Four Major State Road Fund Revenue Sources



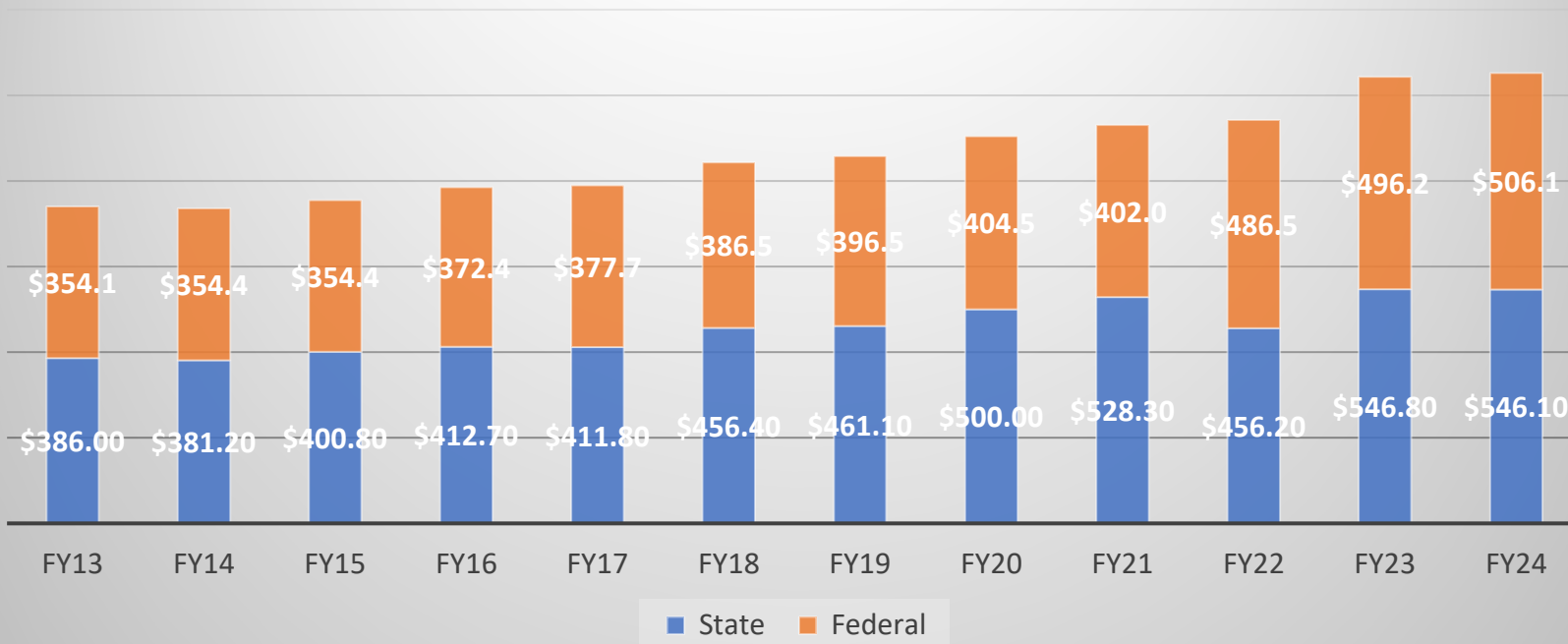
Short-term transition to more fuel-efficient vehicles, and long-term transition to alternative fuel vehicles will lead to declining gasoline and special fuels tax revenues.

Near term forecast based on NMDOT's July 2024 Road Fund Outlook.
Longer term forecast based on projections from S&P Global.

Operating Budget – State and Federal



Op Bud Revenue FY13 - FY24 In Millions



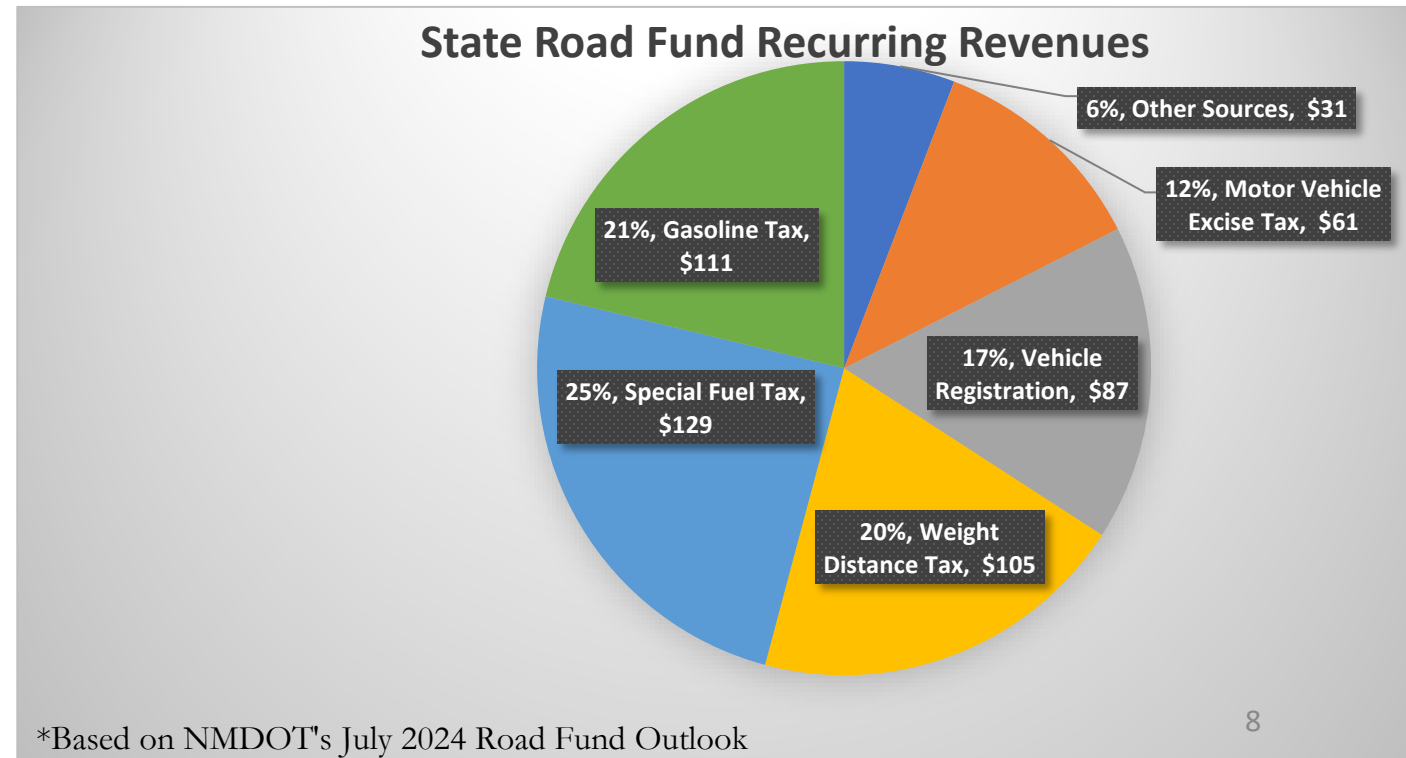
NMDOT’s operating budget is the sum of state tax distributions and federal apportionments.

NMDOT’s operating budget for FY24 was about \$1.2B

Funding Overview



- ❖ NMDOT receives funding from 2 main sources, the Federal Government and the State Road Fund.
 - In FY 24 the Department received about **\$506.1** million in Federal Funding
 - In FY 24 the State Road Fund received about **\$524.6** million in revenue from several state tax programs
 - Gasoline Tax
 - Special Fuel Tax
 - Weight Distance Tax
 - Vehicle Registration
 - And other sources

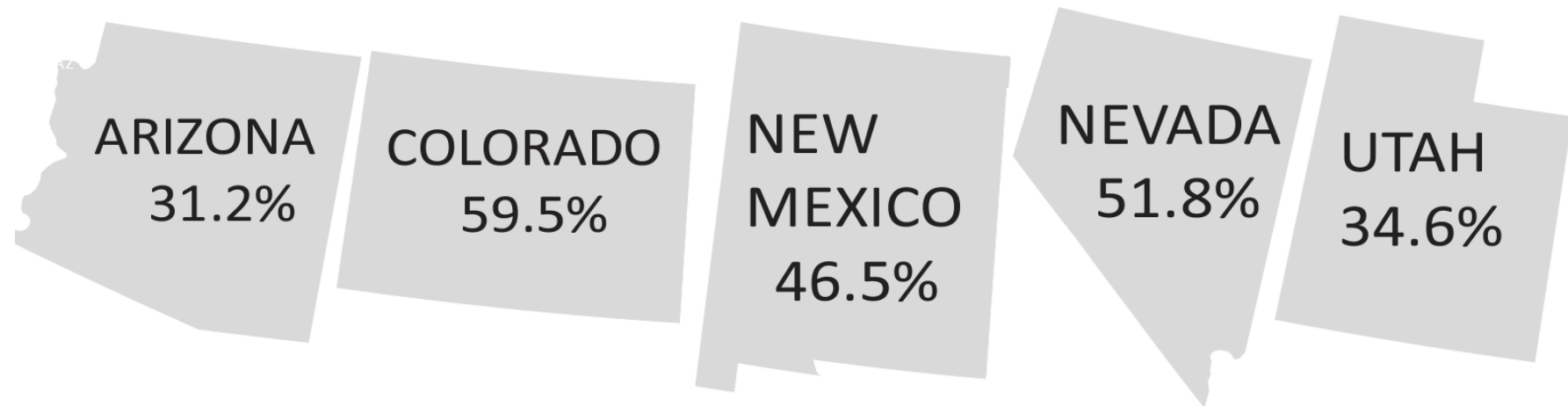


Percentage of Transportation Fund Revenue from Gas Tax (Nationally)



Nationally, Motor Fuel Taxes comprised 41.1% of state transportation revenue in 2016, compared to 37.6% in 2023.

- License and Registration Fees = 19.7%
- Other Revenue = 30.1%
- Vehicle Sales and Use Tax = 11.2%
- Tolls = 1.4%

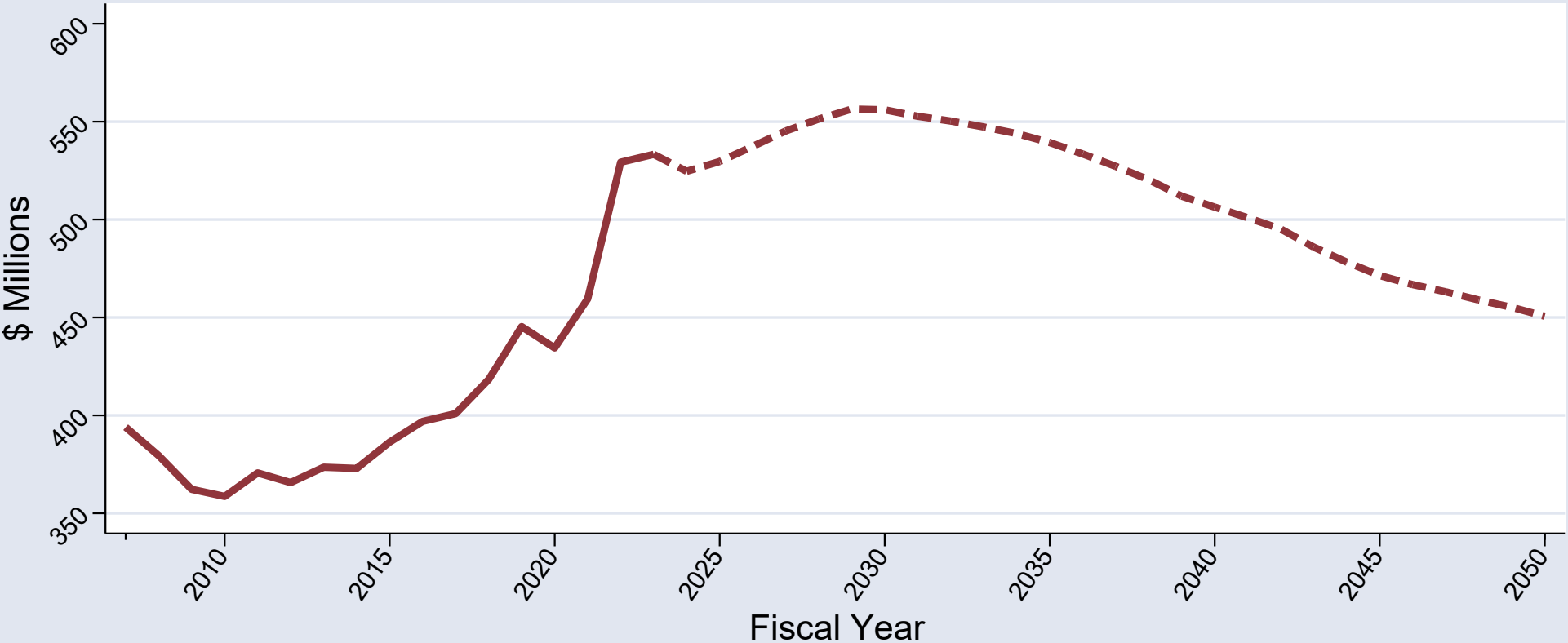


State Road Fund Long Run Forecast



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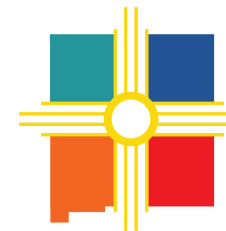
Total Road Fund Revenues



- ❖ State Road Fund revenues are expected to increase **6% by 2030**.
- ❖ Decline **9% from 2030 to 2040**.
- ❖ Decline another **11% between 2040 and 2050**.

Near term forecast based on NMDOT's July 2024 Road Fund Outlook.
Longer term forecast based on projections from S&P Global.

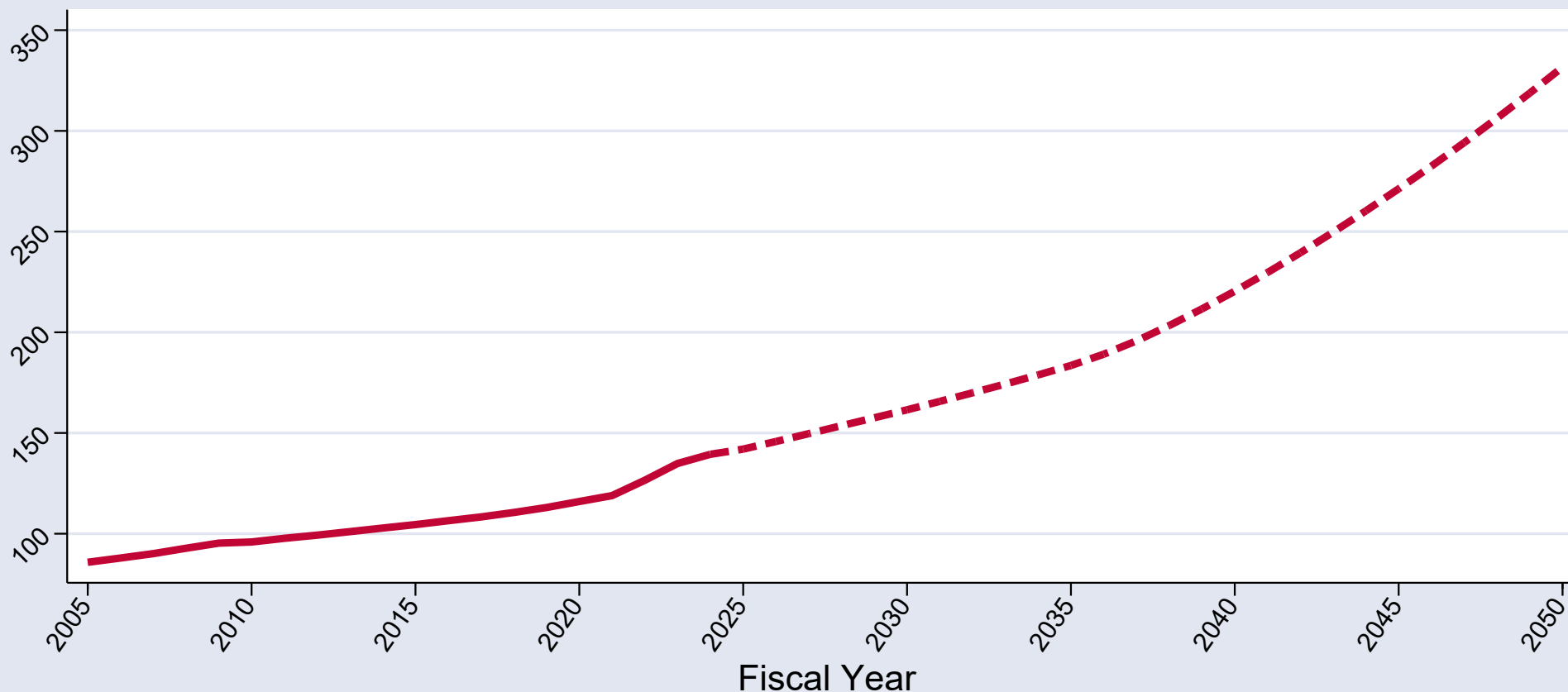
Increasing Cost of Road Construction



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Transportation Construction Price Index

— Actual - - - - - Forecasted



2012=100, Source: BEA, S&P Global

- ❖ Road construction costs are expected to grow 160% between 2023 and 2050. 5.9% average annual growth rate.
- ❖ State Road Fund recurring revenue is expected to shrink 15% between 2023 and 2050. -0.6% average annual growth rate

State Road Fund Challenges



- ❖ Weakening connection between road use and fuel use
 - Motor fuel taxes are New Mexico State Road Fund's largest revenue source
- ❖ New Mexico fuel taxes have not been revised since:
 - FY1996 – Gasoline Tax
 - FY2004 – Special Fuel Tax
- ❖ New Mexico's gasoline tax, at 17 cents per gallon,
 - 5th lowest in the nation
 - US average 31.2 cents per gallon
- ❖ New Mexico's Special Fuel (diesel) tax, at 21 cents per gallon,
 - 10th lowest in the nation
 - US average 33.64 cents per gallon
- ❖ New Mexico's passenger vehicle registration fees are significantly lower than the US average.
- ❖ Major concerns for future of State Road Fund – Increased fuel efficiency of vehicles and adoption of electric vehicles
- ❖ To mitigate the loss in fuel tax revenues, other states have explored:
 - Additional registration fees
 - Road User Charges