



Highway Funding

The New Mexico Department of Transportation and the State Transportation Commission are charged with maintaining the state's transportation infrastructure, including 30,000 lane miles of interstate corridors and U.S. and state highways. To maintain this infrastructure, NMDOT relies on two main sources of funding: the state road fund and transfers from the Federal Highway Administration.

State Road Fund

The state road fund – generally used for highway maintenance while federal funds are used mostly for construction – is composed of revenue from the state gasoline tax (about 7 percent of total revenue), special fuels tax on diesel (25 percent), weight-distance tax on commercial trucking (20 percent), vehicle registration fees (20 percent), and other minor fees.

New Mexico's gas tax of 17 cents per gallon was last increased in 1993 and is among the lowest in the region. Because the gas tax is assessed by the gallon instead of as a percentage of the sale, the ability of the tax to generate revenue has dropped with more gas-efficient vehicles on the road. The ability to generate revenue through the gas tax has been further hampered by slow population growth and fewer miles traveled per driver. In addition, inflation erodes the purchasing power of revenue raised through the tax.

Revenues generated by the weight-distance tax and special fuels tax, 21 cents per gallon and slightly higher than the national average, are tied to commercial trucking and, because of that, are more sensitive to the health of the national economy, rising and falling with changes in consumer demand.

Growth in the state road fund has been slow and NMDOT has struggled to keep up with road maintenance. The department estimates the road fund would have to grow by 80 percent more a year to meet the demand for scheduled road maintenance, including road and bridge resurfacing, repair and preventive maintenance.

Adhering to maintenance schedules is particularly important because repair costs grow substantially as road conditions decline. Preventive maintenance averages \$15,000 per lane mile per year, preservation activities and minor pavement rehabilitation costs average \$180,000 per lane mile, and major rehabilitation and reconstruction can cost between \$500,000 and \$1.2 million per lane mile. Spending more on preventive maintenance now will likely lead to significant savings over time.

Federal Highway Funding

In general, the hundreds of millions of dollars New Mexico receives from the Federal Highway Administration is used for construction projects statewide and distributed according to the priorities established in the *Statewide Transportation Infrastructure Plan* (STIP). The STIP is a four-year, federally mandated, multi-modal transportation plan that allows NMDOT, local governments, and planning organizations to identify and rank high priority infrastructure projects.

Congress authorizes federal highway funds, and sets conditions for their use, under the FAST Act, the Fixing America's Surface Transportation Act initially passed in 2015. When passed, FAST contained sufficient funding for two years of surface transportation appropriations. Since then, Congress has approved short-term reauthorizations to ensure states continue receiving federal highway dollars. These short-term reauthorizations will continue until the Congress passes and the president signs another multi-year transportation funding bill.

Bonding

Although New Mexico receives more than \$850 million annually from state and federal revenue sources, the state frequently requires additional funding for maintenance and construction projects. To fill this gap, NMDOT has issued bonds to cover large infrastructure programs, such as Governor Richardson's Investment Partnership. Although initially financed with variable rate debt and two large balloon payments, the debt has since been restructured to fixed-interest bonds, eliminating the balloon payments. Large debt payments can force NMDOT to rely to a greater extent on state capital outlay funding to fill budget gaps.

For More Information:

- The New Mexico Transportation Department website is www.dot.state.nm.us
- For federal programs, see www.fhwa.dot.gov.
- The state Transportation Commission was established Article V, Section 14, of the New Mexico Constitution.