



Highway Funding

The New Mexico Department of Transportation and the State Transportation Commission are charged with maintaining the state’s transportation infrastructure, including 30 thousand 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 tax on gasoline and diesel fuel (about 45 percent of total revenue), taxes and fees on commercial trucking (20 percent), vehicle sales tax and registration fees (30 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 nation. The gas tax is assessed by the gallon instead of as a percentage of the sale, and revenue generated has stagnated due to low population growth and improvements in vehicle fuel efficiency, which both lead to less fuel consumption. In addition, increasing construction and labor costs erode the purchasing power of revenue raised through the tax.

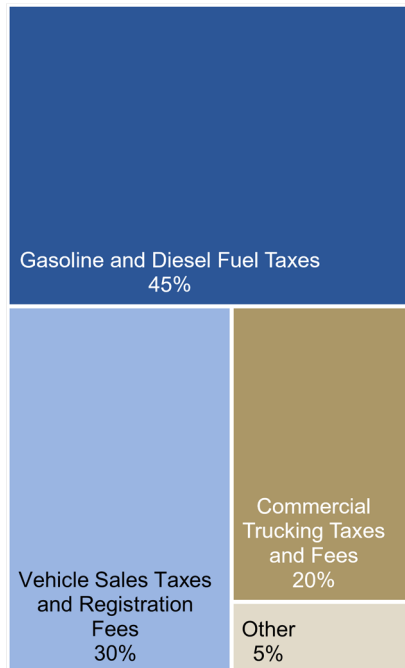
Revenues generated by the taxes and fees on commercial trucking and a diesel fuel tax of 21 cents per gallon are closely tied to the health of the national economy, rising and falling with changes in consumer demand. Some states have implemented fees on commercial delivery services, although New Mexico has not.

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 \$270 million to maintain roads in satisfactory condition.

Adhering to maintenance schedules is particularly important because repair costs grow substantially as road conditions decline. Preventive maintenance averages \$16 thousand per lane mile per year, preservation activities and minor pavement rehabilitation costs average \$280 thousand

per lane mile, and major rehabilitation and reconstruction can cost between \$500 thousand and \$2.9 million per lane mile. Spending more on preventive maintenance now will likely lead to significant savings over time.

State Road Fund Components



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, most recently under the Infrastructure Investment and Jobs Act of 2021.

Bonding

The state of New Mexico currently has approximately \$750 million in road construction debt, the vast majority of which will be paid off by 2030. In FY24, debt service payments cost the state \$194 million. Beginning in FY25, the debt service payments will fall to \$111 million. The additional funding can then be available for use in regular maintenance activities.

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.
- The list of STIP projects is published by NMDOT at <https://estip.dot.state.nm.us/>