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FISCAL IMPACT REPORT

SPONSOR	Brown/Lundstrom/De La Cruz/Jones/Hochman-Vigil	LAST UPDATED	
		ORIGINAL DATE	2/28/2025
SHORT TITLE	Transportation Trust Fund	BILL NUMBER	House Bill 475
		ANALYST	Faubion

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$400,000.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
MVX	\$0.0	(\$87,860.0)	(\$89,900.0)	(\$184,400.0)	(\$188,800.0)	Recurring	General Fund
MVX	\$0.0	\$39,310.0	\$40,140.0	\$87,330.0	\$89,390.0	Recurring	State Road Fund
MVX	\$0.0	(\$11,240.0)	(\$11,380.0)	\$3,640.0	\$4,480.0	Recurring	Transportation Project Fund
MVX	\$0.0	\$59,830.0	\$61,140.0	\$93,120.0	\$95,370.0	Recurring	Transportation Trust Fund
GRT	\$0.0	(\$25,900.0)	(\$27,000.0)	(\$28,080.0)	(\$29,200.0)	Recurring	General Fund
GRT	\$0.0	\$25,900.0	\$27,000.0	\$28,080.0	\$29,200.0	Recurring	Transportation Trust Fund
Capital Reversions	\$0.0	(\$364.0)	(\$600.0)	(\$21,480.0)	(\$18,644.0)	Recurring	General Fund
Capital Reversions	\$0.0	\$364.0	\$600.0	\$21,480.0	\$18,644.0	Recurring	Transportation Trust Fund
Trans. Trust Fund Distribution	\$0.0	\$0.0	\$0.0	\$0.0	\$32,000.0	Recurring	State Road Fund
TOTAL	\$0.0	\$86,094.0	\$88,740.0	\$142,680.0	\$143,214.0	Recurring	Transportation Trust Fund
TOTAL	\$0.0	(\$114,124.0)	(\$117,500.0)	(\$233,960.0)	(\$236,644.0)	Recurring	General Fund
TOTAL	\$0.0	\$39,310.0	\$40,140.0	\$87,330.0	\$121,390.0	Recurring	State Road Fund
TOTAL	\$0.0	(\$11,240.0)	(\$11,380.0)	\$3,640.0	\$4,480.0	Recurring	Transportation Project Fund

Parentheses () indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bills 289 and 27.

Sources of Information

LFC Files

Agency Analysis was Solicited but Not Received From
Taxation and Revenue Department (TRD)
Department of Transportation (DOT)
State Investment Council (SIC)

SUMMARY

Synopsis of House Bill 475

House Bill 475 (HB475) appropriates \$400 million from the general fund to the transportation trust fund in fiscal year 2026 for the purpose of endowing the fund for future transportation distributions.

The bill creates the transportation trust fund, to be invested by the State Investment Council, and provides for distributions to the state road fund each year. The newly created trust fund will distribute 5 percent of the preceding three calendar-year ending balances of the fund. The money transferred shall only be expended for projects that incorporate federally required measures, align with the department of transportations’ long-range plans, and address the multimodal needs of New Mexicans. Finally, the trust fund is a fund of last resort in the event general fund revenues and reserve balances are insufficient to meet appropriations.

HB475 also creates three new earmarks on funds otherwise distributed to the general fund. First, the bill creates a new earmark for all capital outlay balances appropriated from the general fund and that otherwise would revert to the general fund. This section conflicts with current law. The bill should be amended to resolve the conflict (see “Technical Issues” below). Second, HB475 creates a new earmark of gross receipts tax revenues otherwise deposited in the general fund. The bill requires a transfer to the newly created transportation trust fund equal to 1 percent of taxable gross receipts attributable to the sale of electricity. Finally, HB475 amends distributions from the motor vehicle excise tax as follows:

	Current Distribution	FY26 - FY27	FY28 and After	If GRT falls 10% (FY31 -FY40)
General Fund	59.39%	30.00%	0.00%	50.00%
State Road Fund	21.86%	35.00%	50.00%	20.00%
Transportation Project Fund	18.75%	15.00%	20.00%	15.00%
Transportation Trust Fund	0.00%	20.00%	30.00%	15.00%

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

The bill does not include a recurring appropriation but diverts or “earmarks” revenue, representing a recurring loss from the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities.

Motor Vehicle Excise Tax. House Bill 475 modifies the distribution of the motor vehicle excise tax (MVX) receipts. The distribution of the motor vehicle excise tax was determined using the December 2024 consensus revenue estimate to determine gross collections and new

distributions, resulting in the following revenue to the recipients:

	General Fund	State Road Fund	Transportation Project Fund	Transportation Trust Fund	Total MVX Revenue
FY 2026	\$89.74	\$104.70	\$44.87	\$59.83	\$299.14
FY 2027	\$91.70	\$106.99	\$45.85	\$61.14	\$305.68
FY 2028	\$0	\$155.20	\$62.08	\$93.12	\$310.39
FY 2029	\$0	\$158.95	\$63.58	\$95.37	\$317.89

Gross Receipts from Sale of Electricity. The bill specifies that a portion of the taxable gross receipts from electricity sales will be distributed to the transportation trust fund. Estimating the amount of gross receipts tax (GRT) revenue that will be redirected to the transportation trust fund under HB 475 is challenging due to the lack of data on gross receipts from electricity sales. There is no publicly available data specifically detailing gross receipts from electricity sales in New Mexico, and utility companies typically report total gross receipts without itemizing sales by product type. Additionally, electricity sales are influenced by seasonal demand fluctuations, economic changes, and shifts towards renewable energy sources, making it difficult to project future revenue patterns accurately.

The language in HB 475 introduces ambiguity in how the distribution is calculated. The bill specifies that a percentage of the "taxable gross receipts attributable to the sale of electricity" will be allocated to the transportation trust fund. However, it does not clearly define whether this applies to residential and commercial sales, or if it is calculated on the gross sale amount or the net taxable amount after deductions. Moreover, the phrase "attributable to the sale of electricity" is open to interpretation. It could be interpreted to include direct sales to end consumers, wholesale transactions between utilities, or bundled services where electricity is sold along with other services, such as maintenance contracts. These ambiguities make it challenging to determine the precise revenue impact.

Another concern is the potential impact on local government revenue. The bill does not explicitly state whether the distribution to the transportation trust fund will come from the state's share of GRT revenue or if it will also affect local government allocations as all GRT revenue flows into the tax suspense fund prior to distributions. If the redistribution reduces the overall GRT revenue pool, local governments could experience a decrease in their GRT distributions, potentially straining local budgets and necessitating service cuts or budget adjustments. This concern may be addressed by TRD in a future fiscal impact report. LFC assumes this would only affect the state general fund.

To estimate the impact, LFCS used the RP-80 GRT reports from TRD and identified the industry NAICs codes that could contain the sale of electricity. From those subsectors, LFC calculated one percent of all taxable gross receipts. This could represent an overestimate as many of those subsectors likely contain other activities than the sale of electricity.

Reversion of General Fund Capital Outlay. House Bill 475 requires the reversion of unexpended general fund capital outlay appropriations made between 2021 and 2024 that have not been fully spent by their designated deadlines to the transportation trust fund. If a project's funds are not obligated under a binding agreement or if the project is completed under budget, the remaining balance must revert to the transportation trust fund instead of returning to the general fund. General fund capital appropriations were \$364 million in 2021, \$30 million in 2022, \$1.07 billion in 2023, and \$932.2 million in 2024. Historical four-year reversion rates for

capital appropriations are around 2 percent. 2021 capital appropriations will revert in FY26, 2022 appropriations in FY27, and so on.

General Fund Appropriation. The appropriation of \$400 million contained in this bill is a nonrecurring expense to the general fund. The bill does not include a recurring appropriation but diverts or “earmarks” revenue, representing a recurring loss from the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities.

Transportation Trust Fund Appropriations. Appropriations from the transportation trust fund are governed by a specific mechanism outlined in the bill. Starting on July 1, 2028, and every July 1 thereafter, 5 percent of the average year-end market value of the fund over the preceding three calendar years will be transferred to the state road fund. These funds are earmarked exclusively for state matching funds for federal transportation grants, ensuring that the resources are directly invested in transportation infrastructure. Additionally, in exceptional circumstances where the general fund faces a shortfall that cannot be met by other reserves, the Legislature is permitted to appropriate funds from the transportation trust fund to prevent a constitutional deficit. However, this can only occur after exhausting other reserve funds and with legislative authorization. The outlook below was estimated without input from the State Investment Council. If agency analysis is submitted, this FIR could be updated.

Transportation Trust Fund Outlook					
(in millions)					
	FY26	FY27	FY28	FY29	
Beginning Balance	\$ 400.00	\$ 506.09	\$ 620.14	\$ 793.83	
MVX	\$ 59.83	\$ 61.14	\$ 93.12	\$ 95.37	
GRT	\$ 25.90	\$ 27.00	\$ 28.08	\$ 29.20	
Capital Reversion	\$ 0.36	\$ 0.60	\$ 21.48	\$ 18.64	
State Road Fund Distribution				\$ (32.00)	
Intrest Earned	\$ 20.00	\$ 25.30	\$ 31.01	\$ 39.69	
Ending Balance	\$ 506.09	\$ 620.14	\$ 793.83	\$ 944.73	

SIGNIFICANT ISSUES

The bill seeks to address the need for infrastructure investment identified by the Department of Transportation (NMDOT). NMDOT’s operating budget comes primarily from two sources: formula funding from the U.S. Department of Transportation and revenue from gasoline and diesel taxes, fees on commercial trucking, and vehicle registration fees deposited into the state road fund. For several years, these revenues grew at a slow pace, with any additional revenue largely offset by increasing costs. Between FY14 and FY21, annual revenue into the state road fund grew by an average of 2.3 percent. Recent passage of the federal Infrastructure Investment and Jobs Act and state legislation dedicating a portion of the motor vehicle excise tax to the state road fund led to increased resources for state roads between FY21 and FY24, but NMDOT is projecting slower growth in the future, primarily due to a slowdown of gasoline taxes. Additionally, since 2019, the Legislature has invested significant nonrecurring general fund revenue in state road projects, including funds for road maintenance, new road construction, bridge replacement, and other projects.

PERFORMANCE IMPLICATIONS

The conditions of state roads are key performance measures for NMDOT's performance-based budget. NMDOT assesses all New Mexico roads each calendar year using a pavement condition rating (PCR) score to measure roadway conditions. For calendar year 2023, road condition data shows improvement from 2020, although slightly lower than in 2021. A PCR score of 45 or less indicates a road in poor condition. In 2023, the average PCR score for the state was 65, down from 65.9 in 2022 and 72.1 in 2021 but up from the 2020 score of 54.9.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 475 conflicts with Senate Bills 289 and 27 which propose conflicting distributions of the motor vehicle excise tax.

TECHNICAL ISSUES

This bill transfers reversions from capital appropriations made from the general fund to the transportation trust fund. However, Chapter 199 of 2023 session laws requires general fund reversions for the same projects transfer to the general fund, a direct conflict in language. This bill cannot amend prior law by reference and should be corrected to ensure no conflicts with existing law.

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