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FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Hochman-Vigil/Lundstrom/De La Cruz	**ORIGINAL DATE**	2/12/2025
SHORT TITLE	Additional Highway Project Bonding	**BILL NUMBER**	House Bill 145
		ANALYST	Simon

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Bond Issuance		**Up to $626,535**	**Up to $85,900**	**Up to $101,485**	**Up to $95,835**	Nonrecurring	State Road Fund

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

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Debt Service Interest Payments		$0.0	Up to $31,326.8	Up to $31,326.8	Recurring	State Road Fund
Debt Service Principal Payments		$0.0	Up to $1,633	Up to $1,633	Recurring	State Road Fund
Total		**$0.0**	**Up to $32,959.8**	**Up to $32,959.8**		**State Road Fund**

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

Relates to House Bills 2 and 3.

Sources of Information

LFC Files

Agency Analysis Received From
Department of Finance and Administration

Agency Analysis was Solicited but Not Received From
Department of Transportation

SUMMARY

Synopsis of House Bill 145

House Bill 145 authorizes the Transportation Commission to issue up to $1.5 billion in additional bond debt backed by payments to the state road fund and the highway infrastructure fund, including federal revenue sources. The bill maintains the current total limit on outstanding principal amount of $1.124 billion. Bond proceeds would be repaid from the state road fund or from federal revenues.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

NMDOT currently has outstanding debt principal of $579.6 million (a portion of this will be paid off by the department in June, before the bill would go into effect), with additional interest payments of $107 million between FY25 and FY31. NMDOT's current debt portfolio will be completely repaid by FY32. HB145 would allow the Transportation Commission to issue up to $1.5 billion in new debt, provided the outstanding principal of all debt does not rise above $1.124 billion. As a result, HB145 would immediately unlock an estimated $544.4 million in debt capacity for the commission, with smaller amounts unlocked in future years as the department pays down existing debt. The table below illustrates the timing of additional debt capacity, considering only the department's current schedule for paying off the $579.6 million in current debt.

Debt Capacity Given Current Debt Service Payment Schedule

	Outstanding Principal of Current Debt	Additional Capacity Unlocked	Cumulative Additional Capacity
As of July 1, 2025	$497,465.00	$626,535.00	$626,535.00
As of July 1, 2026	$411,565.00	$85,900.00	$712,435.00
As of July 1, 2027	$310,080.00	$101,485.00	$813,920.00
As of July 1, 2028	$214,245.00	$95,835.00	$909,755.00
As of July 1, 2029	$113,615.00	$100,630.00	$1,010,385.00
As of July 1, 2030	$7,955.00	$105,660.00	$1,116,045.00
Future Years		$383,955.00	$1,500,000.00

Source: LFC Files

The table above includes the balances of principal amounts for debt that has been already issued and does not assume any principal payments for future debt. Typically, NMDOT does not pay a large amount of debt principal in the early years of an issuance and frequently makes interest only payments in these years. The bill would leave the schedule for debt issuance to the Transportation Commission. Analysis from DFA states this allows the commission to align issuance with project readiness, which is an important consideration in tax-exempt bonds.

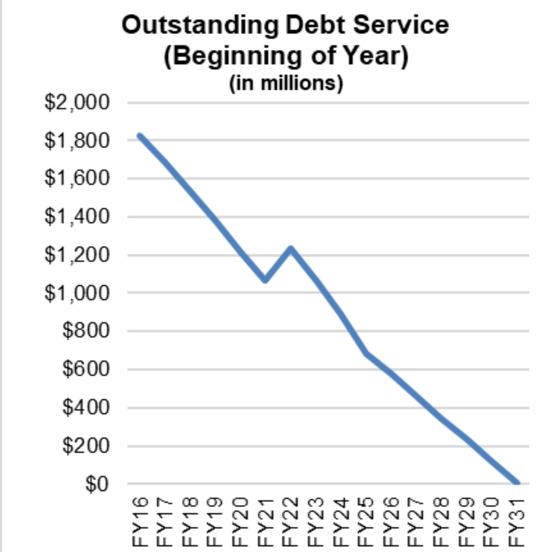
HB145 could enable NMDOT to raise more than $1.5 billion in additional revenue by careful management of their debt program. Past debt issues from the department have typically carried a higher interest rate—often 5 percent—in exchange for receiving a premium on the total value of the bonds issued. For example, in 2021 the department issued bonds with a face value of $234.6 million and received $303.9 million for the sale. The department paid 5 percent interest on the face value of the bond. At the time, interest rates were low so the department received a significant premium.

Because the bill only authorizes the sale of the bonds without specifying a specific timeline for issuing the debt, any projection of possible costs is speculative. But if NMDOT were to issue $626 million in debt in FY26, that could add up to $31 million in interest on that debt in FY27, assuming the department issues the debt at 5 percent. Additionally, it is unclear if NMDOT would immediately begin making principal payment. The operating budget impact table assumes a small payment of principal. It may however, be unlikely that NMDOT would issue all additional capacity in the first year of authorization. To manage project delivery, the department may plan to issue only a small portion of the available capacity and retain additional capacity for future years. Analysis from NMDOT is not available and this FIR will be updated to reflect department estimates upon receipt.

SIGNIFICANT ISSUES

Although NMDOT currently has outstanding debt service payments of $575 million between FY26 and FY31, as recently as FY16 the department carried $1.828 billion outstanding debt service payments. The charts below display annual debt service payments for NMDOT and total outstanding debt service payments by fiscal year

Source: LFC Files



Source: LFC Files

For several years, annual debt service payments totaled more than $150 million per year before falling drastically from $193 million in FY24 to $110 million in FY25. Payments on existing debt are expected to remain steady at about the $110 million per year level between FY25 and FY30, before falling to $8.8 million in FY31. The department could structure the debt issuance to make interest only payments between FY25 and FY30, and begin paying a larger portion of the bond issues beginning in FY31.

Issuance of debt for road construction represents tradeoff policymakers must balance when weighing possible options. Issuing debt provides the department with additional revenue in the short term to make investments in road infrastructure but if debt service payments are too high it could minimize available funding for other department needs that can't be financed by debt. NMDOT reports significant need for investments in road infrastructure. The department's

Statewide Transportation Improvement program include 1,645 projects valued at $10.8 billion. Of that, about $7.8 billion has already been spent or has had a funding source identified, leaving a $1.2 billion gap for projects outside the department's fiscally constrained four year plan.

Issuing new debt would allow the department to undertake additional road construction projects in the short term, but could put off paying for those projects until after 2030, when the department is projecting falling revenue from gasoline taxes and other revenue sources which the state directs to the road fund. Projections from the department show that although economists expect revenue into the road fund to grow by 6 percent by 2030, but between 2030 and 2040 revenue is expected to decline by 9 percent, potentially creating operational challenges for the department in the future. Revenue is expected to decline even further in the future, by 11 percent between 2040 and 2050.

JWS/rl