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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/09  
 SPONSOR Gonzales LAST UPDATED 2/25/09 HB 795  
 SHORT TITLE Severance Tax Bonding for Transportation Projects SB \_\_\_\_\_  
 ANALYST Moser

### APPROPRIATIONS (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(\$19,700)*	(\$48,900)*	Recurring	Severance Tax
	\$16,100*	\$11,300*	Recurring	State Road Fund

(Parenthesis ( ) Indicate Revenue Decreases)

\*Based upon estimates from TRD

Responses Received From

New Mexico Department of Transportation (NMDOT)  
 Taxation and Revenue Department (TRD)

Responses Not Received From

Department of Finance and Administration (DFA)

### SUMMARY

Synopsis of Bill

House Bill 795 enacts a section of the Severance Tax Bonding Act to require five percent of annual severance tax bonding capacity to be used to fund transportation projects statewide beginning in 2010. The bill becomes effective on January 1, 2010.

### FISCAL IMPLICATIONS

The appropriation of five percent of severance tax bonding capacity contained in this bill is recurring expense to the severance tax bonding fund. Use of the severance tax authority will reduce remaining capacity traditionally appropriated for legislative and executive capital outlay projects. TRD questions whether the 5 percent will be based upon the Senior Severance Tax Bonding Capacity or the Total Severance Tax Bonding Capacity (see Technical Issues).

<b>FORECAST OF CAPITAL OUTLAY AVAILABLE</b>			
<b><i>Severance Tax Bonding</i></b>			
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>Senior STB Capacity - December 2008</b>	<b>385.7</b>	<b>349.6</b>	<b>304.7</b>
Issued Bonds (December 2008)			
<i>Spaceport (Laws 2006 Chapter 622)</i>	<i>(33.0)</i>		
<i>2007SS - DOT maintenance (20%)</i>	<i>(7.8)</i>		
<i>2007SS - GRIP II (40%)</i>	<i>(15.5)</i>		
<i>2007SS - GRIP I (40%)</i>	<i>(15.5)</i>		
<i>North/South Valley Sewer**</i>	<i>(2.0)</i>		
<i>GRIP (HB10 2008 SS)</i>	<i>(75.0)</i>		
<i>Miscellaneous Projects</i>	<i>(20.5)</i>		
Authorized Unissued	<i>(11.4)</i>		
<i>Water Project Fund (Statutory 10% of STB)</i>	<i>(38.6)</i>	<i>(35.0)</i>	<i>(30.5)</i>
<i>Spaceport (Laws 2006 Chapter 622)</i>		<i>(34.0)</i>	
<i>2007SS - DOT maintenance (20%)</i>	<i>(1.8)</i>		
<i>2007SS - GRIP II (40%)</i>	<i>(3.8)</i>		
<i>2007SS - GRIP I (40%)</i>	<i>(3.8)</i>		
<i>GRIP (HB10 2008 SS)</i>		<i>(75.0)</i>	
<i>HB9 Deauthorization</i>	<i>24.6</i>		
<i>HB9 Swap for GF</i>	<i>(47.7)</i>		
<b>NET Senior STB CAPACITY</b>	<b>133.9</b>	<b>205.6</b>	<b>274.2</b>
<i>Sweep</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<i>Transfer to Permanent Fund</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<b>NET Supplemental STB CAPACITY</b>	<b>198.9</b>	<b>182.9</b>	<b>186.5</b>

It is important to check available balances as well because there could be existing commitments against capacity. Such a review indicates available balances between \$183M and \$212M for the fiscal years 2010 through 2013.

### **SIGNIFICANT ISSUES**

NMDOT highlights that “state road fund revenues as a percent of the general fund have slipped from 14 percent to 7 percent in the last twenty years. In New Mexico and nationally there has not been the historic emphasis on infrastructure improvements. With a rate of growth 1/3 of the General Fund, Road Fund monies available for construction and department operations has been declining in relative terms.

NMDOT further indicates road construction project costs have been especially hard hit due to the inflationary impact of materials costs especially with respect to oil. With the work and recognition provided under HM 35 from the 2007 Legislative session, a greater emphasis has been seen on legislation for roads.

In recent legislative sessions funds have been made available from severance tax bonds (maintenance, GRIP I and II projects) and general fund appropriations have also been made for maintenance. NMDOT indicates that the federal stimulus package will focus significantly on roads and bridges. The DOT is one of the departments that has the capacity and capability to deliver on getting out many and large jobs. That performance is especially critical now as we try to jump start our economy.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

In addressing the recommendations of HM 35 a number of bills related to improving road fund revenues from a number of directions including fees increases; improved compliance measures; updated IT systems; and personnel increases in the field. These include SB213; HB374; HB 649; HB632; HB802; HB636, and HB 565.

**TECHNICAL ISSUES**

TRD indicates that the bill does not specify whether the appropriation is to be five percent of the Senior Severance Tax Bonding Capacity or the Total Severance Tax Bonding Capacity, which includes the Senior Severance Tax Bonding Capacity and the Supplemental Severance Tax Bonding Capacity.

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