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FISCAL IMPACT REPORT

ORIGINAL DATE 01/21/13
 SPONSOR Gonzales LAST UPDATED 02/10/13 HB 4/aHTPWC
 SHORT TITLE Department of Transportation Appropriation Act SB _____
 ANALYST Soderquist

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$422,734.2	Recurring	State Road Fund – All Sources
	\$407,425.6	Recurring	Federal Funds
	\$34,400.0	Recurring	Restricted - Fund Balances

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	\$422,734.2		Recurring	State Road Fund – All Sources
	\$407,425.6		Recurring	Federal Funds
	\$34,400.0		Recurring	Restricted - Fund Balances

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 2, HB 11

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)

SUMMARY

Synopsis of HTPWC Amendment

The House Transportation and Public Works Committee amendment to House Bill 4 reflects the consensus agreement between the Department of Transportation (DOT), the Legislative Finance

Committee (LFC) and the Department of Finance and Administration (DFA) staffs with regard to the proposed appropriation and FTE levels for the DOT in FY14. This includes a \$2 million reduction in ‘other state funds’ to reflect the January 2013 State Road Fund revenue forecast and a \$12.9 million increase in the use of fund balances. In addition, the amendment inserts language specifying an amount of \$8,368,400 be dedicated for maintenance, reconstruction and related construction costs of state-managed highways (“100% State” projects). The amendment reconciles performance targets in the Programs and Infrastructure, Transportation and Highway Operations and Program Support Program. Lastly, the amendment includes the exception to the law that requires funds to be received by the New Mexico Finance Authority (NMFA) from the DOT to be deposited into the Local Government Transportation Infrastructure Fund.

Synopsis of Original Bill

House Bill 4 appropriates \$849.7 million including: \$424.8 million from State Road Fund revenues, \$403.5 million from Federal sources, and \$21.5 million from unrestricted fund balances to support the operational activities of the DOT in FY14. The bill reflects the recommendations of the Legislative Finance Committee (LFC) and contains recommended performance measures and targets. In addition, the bill authorizes the DOT to extend appropriations pertaining to prior fiscal years in the Programs and Infrastructure and Transportation and Highway Operations and Program. Lastly, the bill provides an exception to the law that requires funds to be received by the NMFA from the DOT to be deposited into the Local Government Transportation Infrastructure Fund.

FISCAL IMPLICATIONS

The HB 4 amendment represents an increase of \$29.1 million, or 3.5 percent, over the FY13 operating budget. Federal revenue in the recommendation is essentially flat, the exception being an increase of \$3.9 million in Rail and Transit from a federal grant. Other state funds revenue is increased in the appropriation recommendation by \$26.9 million, a result of the inclusion of \$34.4 million from fund balance. The \$34.4 million from fund balance is non-recurring. Without this addition, the proposed appropriation would be slightly below FY13 operating levels.

Recommended funding levels for individual programs are as follows: \$573.3 million for Programs and Infrastructure (PINF), \$242.6 million for Transportation and Highway Operations, and \$48.6 million for Program Support. The amendment adds approximately \$2.9 million in the contractual services category in PINF to reflect savings obtained by the department in refinancing bond debt.

Funding for the “100% State” projects is approximately \$8.4 million. This compares to \$10.9 million in the FY13 operating budget, a decrease of nearly 23 percent. Funding in the personal services and employee benefits category is essentially flat with the FY13 operating budget.

SIGNIFICANT ISSUES

The bill deletes 15 FTE including: 2 from Programs and Infrastructure, 12 from Transportation and Highway Operations, and 1 from Program Support.

Current levels of state road funds, even when combined with federal funds, are insufficient to address state transportation infrastructure needs. The DOT documents suggest unfunded construction needs of approximately \$1.5 billion across the state plus maintenance shortfalls of

another \$225 million. There are also significant needs for heavy equipment replacement. The department is not considering plans for additional revenue sources.

To improve recruitment and retention of state employees at the lower end of the DOT salary structure – highway maintenance workers, mechanics, and service technicians – the amendment restores the majority of the \$3.5 million in savings from the deletion of positions in the original legislation and dedicates this funding to reclassification efforts at the department. The State Personnel Office participated in the final meeting between the DOT, the LFC, and DFA and has agreed to facilitate the reclassification efforts.

PERFORMANCE IMPLICATIONS

Other than the reconciliation of revised performance measures between the DOT, the LFC, and the DFA, there are no significant performance implications.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The DOT would not receive an appropriation for FY14.

RS/svb