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FISCAL IMPACT REPORT

ORIGINAL DATE 3/2/15
SPONSOR Brown **LAST UPDATED** _____ **HB** 559

SHORT TITLE Severance Bonds for Highway Projects **SB** _____

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
\$0.0	\$60,000.0	\$60,000.0	\$60,000.0	-	Recurring	DOT
\$0.0	(\$60,000.0)	(\$60,000.0)	(\$60,000.0)	-	Recurring	Senior Severance Tax Bond Projects

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with HB92, HB236, HB262, SB113, SB150 and SB326.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Department of Transportation (DOT)

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 559 appropriates senior Severance Tax Bonds (STB) of up to \$60 million per year in FY16 - FY18, for a total of \$180 million to the DOT. By August 1, 2015, the DOT in consultation with the EDD shall identify highway and bridge preservation, rehabilitation and reconstruction projects statewide that will promote safety and local economic development that can be planned and brought to bid in FY16-18.

Notwithstanding any provision of the procurement code to the contrary, HB 559 allows DOT to use any competitive bid project delivery method endorsed, approved, and authorized by the federal highway administration for projects over \$25 million if DOT estimates that method will provide for faster delivery than the traditional design, bid, build procurement method.

Any amount of the \$180 million appropriated that is not certified by DOT by June 30, 2018 will expire. Any unexpended or unencumbered amount as of June 30, 2022 will revert to the severance tax bonding fund.

The effective date of this bill is July 1, 2015.

FISCAL IMPLICATIONS

The bill appropriates up to \$60 million from STB in each fiscal year FY16 - FY18, for a total of up to \$180 million. The \$60 million per year appropriated for highways and bridges would directly reduce the remaining amount available for legislative appropriation in fiscal years FY16-FY18. Absent this bill, the \$60 million appropriated to transportation projects would be available for legislative appropriation each year from FY16-FY18.

The impact on the amount of STB proceeds available for legislative appropriation is shown in the table below.

<i>Sources and Uses of Funds</i>						
<i>Bonding Capacity Available for Authorization</i>						
<i>February 2015 Estimate</i>						
Sources of Funds (millions)	FY15	FY16	FY17	FY18	FY19	Ten-Year
General Obligation Bonds	-	187.3	-	187.3	-	\$ 374.6
Severance Tax Bonds	168.6	168.6	168.6	168.6	168.6	843.0
Severance Tax Notes*	128.2	93.5	42.0	54.4	57.5	375.6
Subtotal Senior STBs	296.8	262.1	210.6	223.0	226.1	1,218.6
Supplemental Severance Tax Bonds	-	-	-	-	-	-
Supplemental Severance Tax Notes	179.5	133.9	165.5	181.5	189.4	849.8
Subtotal Supplemental STBs	179.5	133.9	165.5	181.5	189.4	849.8
Total Sources of Funds	\$476.4	\$583.3	\$376.1	\$591.8	\$415.5	\$2,443.0
Uses of Funds (millions)						
GOB Projects Approved by Referendum	-	187.3	-	187.3	-	\$ 374.6
Authorized but Unissued STB Projects*	25.2	-	-	-	-	25.2
10% Water Projects	29.7	26.2	21.1	22.3	22.6	121.9
5% Colonias Projects	14.8	13.1	10.5	11.1	11.3	60.9
5% Tribal Projects	14.8	13.1	10.5	11.1	11.3	60.9
HB559: Transportation Projects	-	60.0	60.0	60.0	-	
New Senior STB Statewide Capital Projects	212.3	149.7	108.4	118.4	180.9	769.7
Education Capital	179.5	133.9	165.5	181.5	189.4	849.8
Total Uses of Funds	\$476.4	\$583.3	\$376.1	\$591.8	\$415.5	\$ 2,443.0

SIGNIFICANT ISSUES

New Mexico Transportation Needs. DOT recently completed the first-of-its-kind assessment of all system-wide lane miles. The assessment used state-of-the-art imaging equipment to determine roadway conditions throughout the state. The results show New Mexico roadways are in

significantly worse condition than previously thought: In FY12, 84.5 percent of non-interstate lane miles were reported in good or fair condition; in FY13, the assessment showed only 70 percent were in good or fair condition. Based on this assessment, DOT estimates FY15 highway construction and maintenance needs total \$866.1 million. The combined maintenance and construction budgets for FY15 total \$407.5 million resulting in an unfunded need, or gap, of \$458.6 million.

Maintenance Needs. DOT estimates total system wide maintenance needs to be \$266 million in FY15. The current \$150.2 million maintenance budget for FY15 leaves a maintenance gap of \$115.8 million. The maintenance gap estimate represents the per year cost of implementing a regular maintenance schedule for roads statewide based on current road conditions.

Because DOT is unable to provide maintenance consistently, roadways continue to deteriorate to the point of needing to be reconstructed at a significantly increased cost. DOT estimates the annual cost of maintaining a good condition road to be \$15 thousand per lane mile, a fair condition road costs an average \$180 thousand per lane mile, and a poor condition road may cost \$500 thousand to \$1.2 million per lane mile to rehabilitate or reconstruct.

Construction Needs. DOT estimates the FY16 need for construction to be \$600.1 million. The largest need is for roadway reconstruction and rehabilitation, which DOT estimated to be \$452.6 million. In addition to roadway construction, another \$147.5 million is needed to replace and repair bridges across the state. The current funding available for new construction is \$257.3 million, leaving a gap of \$342.8 million in FY15.

ADMINISTRATIVE IMPLICATIONS

HB 559 requires DOT, “in consultation with the EDD”, to identify highway and bridge preservation, rehabilitation and reconstruction projects statewide. The EDD stated in their analysis of provisions of a similar bill, HB 92, that the agency did not have staff specialized in transportation project assessment.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 559 conflicts with HB92, HB236, HB262, SB113, SB150 and SB326.

CJ/aml