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FISCAL IMPACT REPORT

SPONSOR Gonzales ORIGINAL DATE 02/09/21
LAST UPDATED _____ HB _____
SHORT TITLE State Transportation Bonds for Projects SB 121/ec
ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$234,600.0	Nonrecurring	State Road Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)
New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 121 (SB121) authorizes the New Mexico Finance Authority (NMFA) to issue and sell state transportation project bonds in the amount of \$234.6 million on or after July 1, 2021. The bill states that eligible projects are those listed in Section 9, Item 1 of the General Appropriation Act of 2019, or “other state highway projects identified in the state transportation improvement program.”

SB121 has an emergency clause.

FISCAL IMPLICATIONS

SB121 will provide the department \$234.6 million for projects. However, issuing the bonds will increase recurring costs faced by the department. NMFA notes the department has had an informal target of annual debt service costs not to exceed \$160 million per year. NMFA provided the following estimate of how issuance of additional debt may impact the agency based on the current assumed interest rate of 0.7 percent:

**Current Debt Service Cost and estimate of
Additional \$234 Million Debt Issuance**
(in thousands)

Year	Current Debt Service Cost	Additional Amount	Total
2022	158,476.7	8,177.8	166,654.5
2023	163,360.2	8,921.3	172,281.4
2024	182,835.7	8,921.3	191,756.9
2025	75,063.7	27,606.3	102,669.9
2026	74,748.6	27,607.0	102,355.6
2027	113,130.0	27,606.0	140,736.0
2028	48,780.8	27,606.0	76,386.8
2029	48,890.5	27,604.5	76,495.0
2030	34,279.5	27,609.0	61,888.5
2031	9,103.3	27,606.5	36,709.8
2032	7,161.0	27,604.5	34,765.5
Total	915,829.7	246,870.1	1,162,699.7

Source: NMFA

SIGNIFICANT ISSUES

The state road fund (SRF) would be used to pay debt service costs under SB121. The SRF accounts for approximately half of DOT operating revenue and is used to match federal funds for construction as well as pay for most road maintenance activity. For the past two decades, growth in SRF revenue has been outpaced by construction price increases. Since 2011, SRF revenue increased by \$72 million, or 19 percent. However, inflation over this time period increased by 27 percent resulting in the purchasing power of the SRF falling by 7 percent, or \$16 million. As the purchasing power of the SRF erodes, the maintenance shortfall increases. In FY21, the DOT estimated maintenance needs of \$482 million and a budget of \$166 million to address the needs leaving an annual maintenance shortfall of \$315 million.

Currently, DOT has \$916 million in debt outstanding and will pay \$158 million to service that debt in 2022. However, debt service payments will be dramatically reduced in coming years, freeing up more funding for recurring maintenance and construction needs. Issuing additional debt will increase recurring debt service costs to the department.

The Legislature recognized the need for recurring funding for transportation and increased motor vehicle taxes to provide over \$40 million per year to the SRF. Additionally, between 2018 and 2020, the Legislature made \$637 million in nonrecurring general fund appropriations for state and local roads. The revenue shortfalls brought on by the Covid-19 pandemic necessitated budget reductions during the 2020 special session and \$120 million was cut from prior road appropriations. However, the Legislature provided DOT the authority to issue \$75 million in bonds beginning in FY23. A history of nonrecurring appropriations is shown in the table below.

History of Nonrecurring Road Appropriations
(in millions)

Year	Amount	Description
2018	\$ 44.0	for state roads
2018	\$ 20.0	for local roads
2018	\$ 4.0	for rest areas
2019	\$ 250.0	state roads, MIPS
2019	\$ 89.0	state roads, maintenance
2019	\$ 50.0	Local roads
2020	\$ 180.0	State Roads
2020 SS	\$ (75.0)	Recission of 2019 Section 9 monies
2020 SS	\$ 75.0	Debenture authority for FY23 to offset cut
2020 SS	\$ (45.0)	Recission of 2020 Section 9 monies
Total	\$ 592.0	

Under current law, DOT will receive \$75 million in debenture authority from the available \$234 million starting in FY23. This appropriation was made to offset the rescission of funds during the 2020 First Special Session. The \$75 million is authorized to pay for project costs associated with those projects named in Section 9, Item 1 of the General Appropriation Act of 2019. SB121 also lists these projects as eligible for funding, but does not require that they be funded.

Section 67-3-59.4 NMSA 1978 authorized the DOT to issue up to \$1.585 billion in bonds for projects associated with Governor Richardson’s Road Investment Partnership (GRIP). However, only \$1.35 billion was spent leaving a balance of \$234 million. Projects eligible to receive this funding are restricted to those named in the original 2003 legislation. SB121 broadens the eligibility requirements to any project in the state transportation improvement program (STIP).

The 2020-2025 STIP includes 1,004 projects statewide with a total cost of \$939 million. A full list of STIP projects may be found on the DOT website here: <https://estip.dot.state.nm.us/>

TECHNICAL ISSUES

SB121 has an emergency clause so that if the bill passes by a 2/3 vote, it will take effect immediately upon signature. However, page 10, line 7 states that the NMFA “may, on or after July 1, 2021, issue and sell state transportation bonds...” To allow the provisions to take effect immediately, this language should be changed.

The Local Transportation Infrastructure Act (Sections 67-3-59.3, NMSA 1978 and 67-3-59.4, NMSA 1978) requires that half of NMFA’s administrative fee for administering GRIP be deposited into the Local Transportation Infrastructure Fund (LTIF). However, in 2012, DOT changed the way they pay the NMFA administrative fee to stop the distribution to the LTIF. In each year since 2012, notwithstanding language has been included in the DOT budget to stop the distribution to the LTIF. Unless the department wishes to resume the distribution, these sections of law should be changed.

OTHER SUBSTANTIVE ISSUES

SB121 will authorize bond funds to be used for projects named in Section 9, Item 1 of the General Appropriation Act of 2019. That section reads as follows:

For acquisition of rights of way, planning, design, and construction and to match federal and other state funds for projects including: eighteen million dollars (\$18,000,000) for New Mexico highway 404 in transportation district one; three million dollars (\$3,000,000) for Interstate 10 in transportation district one; twenty-one million dollars (\$21,000,000) for U.S. highway 285 in transportation district two; ten million dollars (\$10,000,000) for the Los Lunas east/west corridor in transportation district three; eight million dollars (\$8,000,000) for Interstate 25 at the Gibson exit in transportation district three; three million dollars (\$3,000,000) for Paseo del Volcan in transportation district three; ten million five hundred thousand dollars (\$10,500,000) for New Mexico highway 39 in transportation district four; ten million five hundred thousand dollars (\$10,500,000) U.S. highway 54 in transportation district four; ten million five hundred thousand dollars (\$10,500,000) for Interstate 25 in transportation district five; ten million five hundred thousand dollars (\$10,500,000) for New Mexico highway 68 in transportation district five; twelve million dollars (\$12,000,000) for U.S. highway 491 interchange and Carbon Coal road in transportation district six; four million five hundred thousand dollars (\$4,500,000) for the Allison corridor in transportation district six; four million five hundred thousand dollars (\$4,500,000) for Interstate 40 in transportation district six; and two million dollars (\$2,000,000) for the New Mexico rail runner line in Albuquerque. Of this amount, fifty million dollars (\$50,000,000) is appropriated in fiscal year 2020. Any unexpended or unencumbered balance remaining from this appropriation at the end of fiscal year 2024 shall revert to the general fund.

CJ/sb/al