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FISCAL IMPACT REPORT

SPONSOR Hochman-Vigil/Gonzales **ORIGINAL DATE** 2/2/22
LAST UPDATED _____ **HB** 171/aHAFC
SHORT TITLE Rural Air Svc. Enhancement Grant Changes **SB** _____
ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	See Fiscal Implications					

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)

Economic Development Department (EDD)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 171 strikes Section 5 in its entirety, stripping the bill of its \$15 million appropriation.

Synopsis of Bill

House Bill 171 (HB171) amends the Rural Air Service Enhancement Act, broadening the eligibility for grants to include both new air routes and expanded air routes and to increase the maximum passenger capacity of aircraft used from nine to 30 persons. HB171 reduces the required minimum match from municipalities or counties from 50 percent to 20 percent if there are existing scheduled air routes at the time of applying for the grant.

HB171 increases the caps on grant awards from \$1,250,000 to \$2,250,000 per year for municipalities or counties that have existing scheduled air routes and increase the grant award cap from \$1,750,000 to \$2,750,000 per year for municipalities or counties not served by existing scheduled air routes. The bill allows the director of the state aviation division of DOT to extend the term of an existing grant up to three additional years if funds are available.

HB171 requires the division to make at least \$9 million in grants in FY23 to support routes serviced by aircraft with a passenger capacity of nine or fewer people. HB171 appropriates \$15 million from the general fund for use in FY23 and subsequent years for enhanced air service and related infrastructure improvements.

FISCAL IMPLICATIONS

The appropriation of \$15 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of will remain in the rural air service enhancement fund for expenditure in future fiscal years. It is unclear how many years the program may operate for with a \$15 million appropriation before funds are depleted.

DOT notes: “If passed, HB 171 would result in no financial implications to NMDOT other than costs to NMDOT’s Aviation Division to open a rulemaking to amend Rule 18.11.10 NMAC so that rule would conform with HB171.”

SIGNIFICANT ISSUES

The Rural Air Service Enhancement Act (SB133 of 2021) was funded with a \$9 million, nonrecurring appropriation. DOT reports that rule making around the program was recently finalized and awards will be made in the near future. Because the program is so new, it is difficult to tell what demand will be and what constitutes sufficient funding.

ADMINISTRATIVE IMPLICATIONS

DOT notes that if HB171 is passed, the DOT’s Aviation Division would be required to open a rulemaking to amend Rule 18.11.10 NMAC.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB171 is nearly identical to Senate Bill 76, but SB76 does not change the cap limits on grant awards.

CJ/acv/rl