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FISCAL IMPACT REPORT

SPONSOR <u>Hochman-Vigil</u>	LAST UPDATED <u>1/25/2024</u> ORIGINAL DATE <u>1/22/2024</u>
SHORT TITLE <u>Dept. of Transportation Appropriation Act</u>	BILL NUMBER <u>House Bill 3/aHTPWC</u>
ANALYST <u>Simon</u>	

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$604,167.0	Recurring	State Road Fund
	\$103,625.0	Recurring	Other State Funds
	\$9,800.0	Recurring	Interagency Transfers
	\$558,360.4	Recurring	Federal Funds
	\$1,275,952.4		Total

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

SUMMARY

Synopsis of HTPWC Amendment

The House Transportation, Public Works and Capital Improvements Committee amendment to House Bill 3 (HB3/aHTPWC) includes FY25 operating budget appropriations for the Department of Transportation (NMDOT), based on the executive budget recommendation and adjusted to authorize expenditure of projected uncommitted fund balances for the state road fund and other funds. The bill also includes authorization for the department to request budget adjustments, including the ability to roll-over funds under contract at the end of fiscal year 2024 into fiscal year 2025. The bill also includes reauthorization of a 2019 special appropriation for state road projects and includes performance measures and targets.

HB3/aHTPWC appropriates \$1.276 billion, including \$717.6 million from state funds and \$558.3 million from federal funding sources to support the operational activities of NMDOT in FY25.

Synopsis of Original Bill

House Bill 3 (HB3) includes FY25 operating budget appropriations for the Department of Transportation (NMDOT) based on the Legislative Finance Committee's FY25 budget recommendation. It includes performance measures and targets.

HB3 appropriates \$1.236 billion, including \$685 million from state funds and \$551.7 million from federal funding sources to support the operational activities of NMDOT in FY25.

FISCAL IMPLICATIONS

NMDOT revenues come from two sources: state road fund, primarily used for highway maintenance, and federal funding awards, primarily used for construction and debt service payments. HB3/aHTPWC appropriates state funds totaling \$717.6 million, including \$550 million in state road fund revenue, \$102.8 million in restricted use fund revenue, \$54 million in uncommitted state road fund balance, and \$800 thousand in restricted use fund balance. In addition, HB3/aHTPWC appropriates \$558.3 million in federal funds and \$9.5 million from the weight-distance permit identification fund.

SIGNIFICANT ISSUES

NMDOT forecasts state road fund revenue every January and July, budgeting projected revenue in the request. For FY25, NMDOT expects a 0.3 percent increase from the road fund. The largest sources of revenue to the road fund are fuel taxes, generating 45 percent of total revenue; fees on commercial trucking, accounting for 22 percent of revenue; and taxes on vehicle sales and registration fees, amounting to 27 percent of revenue.

While in recent years, the NMDOT budget has benefited from revenue increases, the department is forecasting slower growth in the future. State road fund revenue increased from \$500 million in FY20 to an estimated \$550 million in FY24. The department is projecting that income will rise to \$568 million in FY28, or less than half the growth over the next four years versus growth over the last four years. Between FY24 and FY25, NMDOT is projecting roughly flat growth in ordinary income, with most of the growth made possible by interest earned on investment.

NMDOT staff have noted construction bid costs have been increasing, with average cost escalations of 20 percent per year since FY20. Federal data shows this has been a nationwide trend, with the national highway construction cost index rising by 46 percent from January 2020 through July 2023. While federal data shows cost increases began to moderate in 2023, prices settled in at higher levels than in previous years.

For FY25, the department has \$889 million in outstanding debt obligations, down from more than \$1 billion in FY24. Reductions in the debt service allow the agency to reduce expenditure in the other costs category of the project design and construction program. Compared with FY24, HB3/aHTPWC includes \$76.7 million less in the other costs category and \$85.4 million more in the contracts category for road projects. Annual debt service payments are projected to remain steady through FY30 and the state will have retired all debt by the end of FY32.

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HB3/aHTPWC includes \$4 million for the department to transfer the regulation of motor carriers from the Public Regulation Commission (PRC) to NMDOT. Initial estimates of the impact on the state road fund were about \$1.1 million, but NMDOT has noted the need to add additional personnel. A total of 15 FTE will transfer from the PRC to NMDOT and HB3/aHTPWC includes an additional 13 FTE for regulatory activities.

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