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FISCAL IMPACT REPORT

SPONSOR Soules LAST UPDATED 2/2/2024
ORIGINAL DATE 1/31/2024
BILL
SHORT TITLE High-Speed Railroad Across the State NUMBER Senate Bill 226
ANALYST Hanika-Ortiz

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$1,000,000.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Tourism Department (NMTD)

Economic Development Department (EDD)

Agency Analysis was Solicited but Not Received From

New Mexico Department of Transportation (NMDOT)

SUMMARY

Synopsis of Senate Bill 226

Senate Bill 226 (SB226) appropriates \$1 billion from the general fund to NMDOT to construct a high-speed passenger railroad from New Mexico's northern border to its southern border.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$1 billion contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY29 shall revert to the general fund. SB226 would likely require substantial general fund appropriations beyond FY29, as the project develops, and rail service is implemented. Most passengers would not be going from the northern to southern border, but rather to and from stations in-between. NMDOT may

see the value in breaking the project up into multiple stand-alone rail segments, in preparation for connecting in the future to a high-speed railroad in a neighboring state, if later developed.

If by using the term high-speed “passenger” railroad, it excludes freight, the railroad may miss out on opportunities to raise recurring revenue to help with capital and operating costs. In addition, allowing freight may reduce the number of heavy trucks tearing up state highways.

While no cost estimates have been developed for a high-speed passenger railroad in the state, in a previous analysis of a similar bill, NMDOT reported the high-speed rail under construction in California between San Francisco and Anaheim is projected to cost about \$100 billion for a 500-mile line, or \$200 million per mile; and federal funding was less than 25 percent of the total projected cost. A high-speed passenger railroad connecting the southern and northern borders of New Mexico would be of similar length but should be less expensive due to fewer metropolitan areas. A 2009 General Accounting Office report (GAO-09-317) reviewed high-speed railroads in Europe and Japan, over similar terrain, and estimated construction costs at \$66 million per mile. Adjusting for inflation, that is \$94 million today, an increase of \$28 million the past 15 years.

SIGNIFICANT ISSUES

NMTD reports, in 2022, 66,129 passengers arrived or departed from Amtrak stations in the state.

Justification for a high-speed train includes expectation of population growth. According to the LFC Program Evaluation Unit’s 2021 report *State Population Trends*, population is not projected to grow above 2.2 million and will likely peak within the next 20 years under current trends. The state is nearing a point of zero or negative population growth because births are declining, and out-migration is outpacing in-migration, the report notes. A forecast from the Geospatial and Population Studies Department at the University of New Mexico also supports these findings.

PERFORMANCE IMPLICATIONS

EDD commented that like the New Mexico Rail Runner, this bill will likely require a council of governments, such as the Mid-Region Council of Governments to operate, maintain, manage and help fund through gross receipts tax. South Central Council of Governments located in Elephant Butte would be impacted, as well as North Central Council of Governments located in Santa Fe.

ADMINISTRATIVE IMPLICATIONS

New Mexico is a car dependent state, with relatively little population, and topological issues. Prior to building the railroad, NMDOT would need to complete planning and design phases. This should involve public discussion and include route and station site selection, with access to major roads; connection to public transit, if available; and park and ride lots for commuters. NMDOT may also need to acquire new rights-of-way; environmental approvals; and agreements with tribes if crossing Indian lands. Nevertheless, particularly if electrically powered, the railroad could reduce the energy used by the transportation industry, as well as reduce carbon emissions.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to Senate Bill 262 that appropriates \$200 thousand from the general fund to the NMDOT to study the feasibility of constructing a high-speed passenger railroad in the state.

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