LFC Requester:	

AGENCY BILL ANALYSIS
2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to **billanalysis@dfa.nm.gov**
(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if the analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original x **Amendment** ____
Correction ____ **Substitute** ____

Date Prepared 1/29/2025
Bill Number: HOUSE BILL 145

Sponsor: Rep. Hochman-Vigil

Agency Name and Code Number: DFA-341

Short Title: ADDITIONAL HIGHWAY PROJECT BONDING

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis ( ) Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 145 (HB145) amends Section 67-3-59.1 NMSA 1978 to provide additional bonding authority to the State Transportation Commission.

Key points of the bill include:

- **Bond Issuance Authority**: The State Transportation Commission is authorized to issue bonds to finance state highway projects, including those required for the waste isolation pilot project, and are eligible for federal reimbursement.

- **Additional Bonding Authority**: Unchanged by HB145, the total amount of bonds issued is capped in phases, allowing for a maximum of $1.124 billion after June 30, 2001. HB145 amends Section 67-3-59.1 NMSA 1978 by adding section E, which outlines an additional $1.5 billion in bonds that the commission may issue, provided it does not exceed the $1.124 billion cap.

HB145 aims to enhance the funding mechanisms for state highway projects, ensuring the necessary infrastructure improvements while maintaining financial oversight and legal protections for bondholders.

FISCAL IMPLICATIONS

- The issuance of transportation bonds will increase the state's overall debt portfolio. The Board of Finance, through its annual debt affordability study, monitors the state's key debt ratios—debt per capita and debt as a percentage of personal income—and compares those ratios to "other states and against peers" (Debt Affordability Study, 2024).

- As of 2024, New Mexico's ratios (approximately $1,000 and 1.7%, respectively) were below Moody's State Medians of $1,179 per capita 2.1% of personal income (Debt Affordability Study, 2024). While the transportation bond debt is included in the ratio calculations, the state is well positioned to assume additional debt given its existing ratios, recent moves to utilize general fund appropriations for capital projects instead of long-term severance tax bonds, and the upcoming retirement of existing debt.

- The issuance of debt for impactful economic investments, such as roads, tunnels, and bridges, is considered a good capital investment by the ratings agencies and is considered alongside debt ratios.

- Transportation Commission issuance of transportation bonds is an appropriate method for funding transportation initiatives due to NM Department of Transportation’s dedicated revenue source, history of successful funding of larger road initiatives, and existing administrative systems/structures that ensure successful project completion.

    - For example, NMDOT oversees the timing of road projects. Thus, it can closely and effectively align issuance timelines with project readiness, which is critical in the issuance of tax-exempt municipal bonds.

    - It also has existing established partnerships necessary for issuance and project approvals. Nationally, major transportation initiatives have primarily been funded with dedicated user fees, such as road user, delivery, weight distance, fuel, licensing, permitting, and registration fees.

SIGNIFICANT ISSUES

N/A.

PERFORMANCE IMPLICATIONS

- The source of revenue for bond repayment are federal funds, taxes, and fees paid into the state road fund. The State Highway Commission, from time to time, has issued system revenue bonds pledging the state road fund and federal funds as a source of repayment. This dates back to the passage of Article IX, Section 16 of the New Mexico Constitution and laws enacted by the fifth legislature authorizing the issue and sale of state highway bonds for the purpose of providing funds for the construction and improvement of state highways.

    - By pledging the state road fund, NMDOT has established creditable bond ratings (Aa2, AA+, and AAA) while pledging federal highway funds as a secondary source of revenue.

    - This strengthens NMDOT’s credit in the municipal market, attracting more investors to purchase the bonds and securing a better rate. NMDOT’s credibility in the market is very strong, partially due to the very high coverage ratios. Further, the state road fund and federal highway funds are under the control and direction of the State Highway Commission. The state road fund was created based on generating dedicated revenue from road user fees for operational and maintenance expenses and the issuance of state highway bonds.

ADMINISTRATIVE IMPLICATIONS

- The Board of Finance does not anticipate any additional administrative implications based on HB145. The Board of Finance has already established a process and the administrative capacity for reviewing the issuance of transportation bonds. Existing staff and resources are sufficient to review such transactions.

- Further, the Board of Finance is experienced in the review of bond issuances, as it currently reviews the issuance of system revenue bonds for higher education institutions and the issuance of bonds for other state agencies.

- While transportation projects may be funded from other sources, such as general fund or other bonding programs, utilizing the additional capacity authorized under HB145 provides greater stability and predictability for project planning and execution and frees up other sources of funding for other state priorities.

  - Specifically, HB145's funding approach is preferable to using severance tax bonds. Severance tax bonds introduce volatility to transportation project planning and execution, as their capacity can be unexpectedly reduced. Also, severance tax bonds have traditionally been utilized for general capital appropriations. Additionally, our severance tax bond capacity cannot fund large transportation initiatives as contemplated by HB145.

  - While the bond rating agencies monitor the state's debt portfolio overall and corresponding debt ratios, the issuance of debt for transportation projects secured by dedicated revenue sources will not negatively affect the state's debt portfolio or debt ratios.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A.

TECHNICAL ISSUES

N/A.

OTHER SUBSTANTIVE ISSUES

- While the bill creates additional capacity for the State Transportation Commission to issue bonds for transportation projects, it does not explicitly incorporate the right to leverage anticipated federal funding through vehicles like Grant Anticipation Revenue Vehicles (GARVEEs) bonds or financings under the Transportation Infrastructure Finance and Innovation Act.

  - Other states use GARVEEs or TIFIA financings as important tools to leverage future federal funding or better financing terms to deliver necessary transportation infrastructure upgrades or maintenance projects at current prices.

- The statute's prohibition on maturity dates longer than 25 years likely limits the state's ability to negotiate the best possible terms for financings utilizing federal funds.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The existing bond capacity limits will bind NMDOT.

AMENDMENTS
N/A.