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FISCAL IMPACT REPORT

	ORIGINAL DATE 2/3/2009		LAST UPDATED 2/16/2009		HB 308/aHTPWC
SPONSOR	Lujan				
	Local Government Road Fund for Matching				
SHORT TITLE	Funds				SB
ANALYST Moser					

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Transportation (NMDOT)

Department of finance and Administration (DFA)

NM Municipal league

SUMMARY

Synopsis of Amendment

House Transportation and Public Works Committee amendment to House Bill 308 clarifies that the funds distributed in accordance with of both sections B and E are not part of the distribution of the local government road fund. It further limits the amount of the local government road fund that may be used for matching by municipalities with a financial hardship to \$1 million.

Synopsis of Bill

House Bill 308 adds a new subsection E, to Section 67-3-28.2 NMSA 1978. It expands the authority of the Department of Transportation to distribute monies from the Local Governments Road Fund to municipalities and counties who demonstrate financial hardship for the purpose of meeting local match requirements. The qualifying municipalities and counties can use the Local Governments Road Fund monies as the matching funds required for participation in Local Governments Road Fund projects.

FISCAL IMPLICATIONS

House Transportation and Public Works Committee amendment to House Bill 308 addresses expressed concerns regarding impact to the fund by restricting the total available funding for match purposes to \$1million

Both NMDOT and DFA indicate that this bill will not have any financial impact. However, it is possible that the fund could be used for matching requirements leaving insufficient balances available for other needs the program provides. Caution should be exercised to ensure that sufficient balances are maintained for other purposes such as project development, construction, reconstruction, improvement maintenance, repair and right-of-way and material acquisition as provided in statute.

SIGNIFICANT ISSUES

House Transportation and Public Works Committee amendment to House Bill 308 specifies the Department of Transportation may utilize one million dollars (\$1,000,000.00) in the LGRF to provide the match required for local government entities to participate in the LGRF program. As amended, HB 308 will allocate the match funds to pay the twenty-five percent (25%) match from the fund principal before distributing the remainder as provided for in the statutory formula. Local government entities (counties, municipalities or schools) may see their distribution reduced to pay for the match waiver, but the reduction will be prorated amongst all the classes that get a percentage distribution from the fund.

The NMDOT indicates that currently all municipalities and counties participating in the Local Governments Road Fund program are required to provide a twenty-five percent (25%) match for each project. Local governments who cannot provide a twenty-five percent (25%) match for a project cannot participate in the program.

This bill authorizes the Department of Transportation to utilize money in the Local Governments Road Fund to provide all or a portion of the required twenty-five percent (25%) match for municipalities and counties that can demonstrate financial hardship.

Total funding available for local governments from the Local Governments Road Fund would be reduced by the amount set aside from the Local Governments Road Fund for use by qualifying local governments to meet match requirements. NMDOT points out that “Although the bill does not specify where the matching funds will come from, as written, the intent is to adjust the funding at the project level to provide the match. Members of the same Local Governments Road Fund program (counties, municipalities or schools) may see their distribution reduced to pay for the match waiver.”

Many municipalities with critical needs are unable to match grants from the Local Government Road Fund because of financial hardship. This legislation would create a vehicle for those entities to obtain funds to meet those needs. The Municipal League expresses its support of this bill.

ALTERNATIVES

Place a cap on the amount that is available of the fund balance for this purpose.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The program would continue as currently administered. Currently there is no match waiver funding available for the Local Governments Road Fund program. Municipalities and counties participating in the program must provide a twenty-five percent (25%) match for each project. Municipalities and counties who cannot provide match funding requirement would not be able to participate in the program.

GM/mc