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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/14  
 LAST UPDATED 01/31/14

SPONSOR Gonzales HB 4/aHTPWC

SHORT TITLE Dept. of Transportation Appropriation Act SB \_\_\_\_\_

ANALYST Soderquist

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$874,074.4	Recurring	State Road Fund, and Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
	\$453,461.9		Recurring	State Road Fund
	\$408,612.5		Recurring	Federal Funds
	\$12,000.0		Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB 2 and HB 7

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

NM Department of Transportation (NMDOT)

### SUMMARY

#### Synopsis of HTPWC Amendment

The House Transportation and Public Works Committee amendment to House Bill 4 reflects the consensus agreement between the Department of Transportation (NMDOT), the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) staffs with regard to the proposed appropriation levels, FTE levels, and performance measures and targets for the NMDOT in FY15. House Bill 4, as amended, appropriates \$874.1 million including:

\$453.5 million from State Road Fund revenues, \$408.6 million from Federal sources, and \$12.0 million in General Fund revenues to support the operational activities of NMDOT in FY15. The General Fund revenues were included in the contractual services category in the Transportation and Highway Operations Program for the maintenance of state roads, highways, and bridges.

HB 4, as amended, reflects a \$9.5 million increase in spending above FY14 approved operating levels including: \$593.9 million for the Programs and Infrastructure Program, \$237.4 million for Transportation and Highway Operations Program, and \$42.8 million for Program Support.

The elimination of the \$5.8 million transfer of state road funds to the Motor Transportation Division (MTD) was retained in the amendment. The amendment appropriates an additional \$1.2 million in federal funding from the Energy, Minerals and Natural Resources Department (EMNRD) for programs that NMDOT will now administer.

#### Synopsis of Original Bill

House Bill 4 (HB 4) appropriates \$833.0 million to the New Mexico Department of Transportation (NMDOT) including: \$425.5 million from State Road Fund revenues, and \$407.5 million from Federal sources to support the operational activities of NMDOT in FY15. The legislation reflects the Legislative Finance Committee (LFC) appropriation and performance measures recommendation. The legislation authorizes NMDOT to extend appropriations pertaining to prior fiscal years in the Programs and Infrastructure and Transportation and Highway Operations Programs, commonly called “rollover” authority. The legislation provides an exception to the law that requires funds to be received by the New Mexico Finance Authority from NMDOT to be deposited into the Local Government Transportation Infrastructure Fund.

The Legislation transfers 2 FTE from the Transportation and Highway Operations Program and 8 FTE from Program Support to the Programs and Infrastructure Program to establish a Strategic Planning and Asset Management Group responsive to policy activities, including performance measures, required by the Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21) federal transportation legislation.

#### **FISCAL IMPLICATIONS**

HB 4 reflects a decrease of \$31.6 million, or 3.7 percent, compared with the FY14 operating budget and an increase of \$221 million, or 36 percent, with FY13 actual expenditures. Funding levels for the programs are: \$564.3 million for Programs and Infrastructure, \$226.2 million for Transportation and Highway Operations, and \$42.5 million for Program Support. Overall, the bill reflects an increase of \$2.3 million, or 1.6 percent, in personal services and employee benefits, a decrease of \$21.3 million, or 5.4 percent, in contractual services, and a decrease of \$6.8 million, or 2.1 percent, in other costs.

A \$5.8 million transfer of state road funds to the Motor Transportation Division (MTD) included in the NMDOT FY15 budget request was eliminated in the legislation. Consistent with the LFC recommendation, the \$5.8 million budgeted for the transfer in the FY15 NMDOT request was redirected to the contractual services category in the Transportation and Highway Operations Program to fund the maintenance of roads, highways, and bridges throughout the state.

Also consistent with the LFC recommendation, the legislation applied \$3.5 million in vacancy savings across programs and redirected the funding to the contractual services category in the Transportation and Highway Operations Program to fund the maintenance of roads, highways, and bridges throughout the state.

### **SIGNIFICANT ISSUES**

Current levels of state road funds, even when combined with federal funds, are insufficient to address state transportation infrastructure needs. NMDOT documents suggest unfunded construction needs of approximately \$1.5 billion across the state plus maintenance shortfalls of another \$268 million. A funding shortfall of approximately \$63.6 million exists for preventive bridge maintenance.

NMDOT faces significant funding constraints as a result of debt obligations incurred through state transportation infrastructure projects, including the Rail Runner. As of July 2013, the total outstanding debt for infrastructure projects across the state totals \$2.2 billion. HB 4 contains appropriations of approximately \$152 million dedicated to debt principal and debt interest.

### **PERFORMANCE IMPLICATIONS**

Current levels of funding do not allow the department to adequately maintain all state roads, highways and bridges, with routine maintenance, repair, and construction being deferred for increasingly longer periods of time.

### **RELATIONSHIP**

Relationship with HB 2 and HB 7.

### **TECHNICAL ISSUES**

The bill reflects spending levels not supported by recent projections in State Road Fund revenues. Further, additional federal revenues are expected to be transferred from the Energy, Minerals, and Natural Resources Department. Technical adjustments should be made in order to balance projected revenues with proposed expenditures.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

NMDOT would not receive appropriations for FY15.

### **POSSIBLE QUESTIONS**

- The department is facing significant funding shortfalls related to highway maintenance and construction. How do you plan to address these shortfalls given current revenue estimates?
- Given the problems occurring in Congress related to budgets, and current authorization ends in September. Do you anticipate federal funding cuts in the future? How would those potential cuts affect your ability to maintain roads and highways in New Mexico?
- The Transportation Infrastructure Revenue Subcommittee, which met during the interim, discussed a number of options to increase revenues to address or infrastructure problems.

Does the NMDOT plan to pursue any of these options? As an example, a number of states have increased their gasoline tax to improve revenue streams – is this something you would consider proposing?

- I understand the problems we face in terms of maintenance shortfalls on roads and highways across the state, but some of our main streets in small towns are looking pretty rough around the edges. And this matters, because people stop along small town main streets to shop and eat and visit historic sites. Has the department ever estimated the cost of main street improvement in the state? Are there any plans to improve any small town main streets?
- The state funded the Paseo del Norte/I-25 project. What major investment projects are next on the department's agenda, and how does the department determine they are a priority given multiple priorities? Where would the funding come from to do this construction?
- It is my understanding that the department is facing very significant obstacles in terms of employee recruitment and retention. Would you explain some of the obstacles you are facing now and how are you – and the State Personnel Office – solving them? Are these problems different in different transportation districts?
- Are we effectively collecting revenue from the weight/distance fee on truckers in the state – both inter-state and intra-state? Do you have an estimate of how much revenue we are potentially losing each year as truckers avoid weighing stations?
- Does the department spend all the funds that are appropriated to it each fiscal year in construction and maintenance?

RS/svb