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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 1/26/2023

SPONSOR Soules

BILL
NUMBER Senate Bill 127

SHORT TITLE High-Speed Border-To-Border Railroad

ANALYST Hanika-Ortiz

APPROPRIATION* (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|---------------|------------------------------|------------------|
| FY23 | FY24 | | |
| | \$1,000,000.0 | Nonrecurring | General Fund |

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

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| | FY23 | FY24 | FY25 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------|------------------------------|--------------------------|
| | Indeterminate but substantial | Indeterminate but substantial | Indeterminate but substantial | | Recurring | NMDOT operating funds |

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

Relates to Senate Bill 59

Sources of Information

LFC Files

Responses Received From

New Mexico Department of Transportation (NMDOT)
 New Mexico Border Authority

SUMMARY

Synopsis of Senate Bill 127

Senate Bill 127 appropriates \$1 billion from the general fund to NMDOT to construct a high-speed passenger railroad that runs from New Mexico's southern border to its northern border.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

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 FY28 shall revert to the general fund. NMDOT states significantly more funding would be needed than the \$1 billion appropriation for the project, yet the bill does not identify how those costs would be financed. For example, federal funding is less than 25 percent of the \$105 billion cost of the California high-speed rail line. Senate Bill 127 has the potential to require additional and substantial general fund appropriations beyond FY28, as the project is developed and passenger rail service is implemented. To date, there has been no planning to construct a high-speed passenger railroad in New Mexico.

NMDOT notes a 2009 General Accounting Office report (GAO-09-317) reviewed potential construction costs for a number of proposed high-speed passenger railroads in the United States and estimated construction costs at \$66 million per mile, based on Europe and Japan's actual experience. Using that amount, initial costs to build New Mexico's railroad could be \$24 billion.

SIGNIFICANT ISSUES

SB 127 requires the \$1 billion for construction to be expended by FY28. NMDOT reports prior to construction commencing, planning and design activities must be completed. These activities include the selection of an alignment, station location selection, preliminary and final design, right-of-way acquisition, and environmental approval. For instance, planning for the California high-speed rail line began in 1993, but construction did not start until 2015.

NMDOT believes the agency would be unable to accomplish a project this large within the five-year timeframe in the bill, even with sufficient staff, based on the agency's experience with the Rail Runner project. NMDOT suggested additional staff would be needed to manage planning, design, and construction but did not provide a cost estimate for additional resources needed.

Neither Texas nor Colorado is undertaking efforts to develop high-speed passenger rail serving regions near the New Mexico state line, which may have helped justify the state's investment.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to SB59, which appropriates \$500 thousand from the general fund to NMDOT for a feasibility study of constructing a high-speed passenger railroad in New Mexico.

TECHNICAL ISSUES

SB127 does not indicate whether the high-speed passenger railroad would be publicly owned or privately owned. The anti-donation clause in the New Mexico constitution severely restricts the ability of the state to contribute funding to construct or improve privately owned railroads.