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FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/15
 LAST UPDATED 2/25/15 HB 92/HTPWCS

SPONSOR HTPWC

SHORT TITLE Severance Bonds for Transportation Projects SB _____

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
\$0.0	\$60,000.0	\$60,000.0	\$60,000.0	\$60,000.0	Recurring	DOT
\$0.0	(\$60,000.0)	(\$60,000.0)	(\$60,000.0)	(\$60,000.0)	Recurring	Senior Severance Tax Bond Projects

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Department of Transportation (DOT)

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

The House Transportation and Public Works Committee Substitute for House Bill 92 appropriates senior Severance Tax Bonds (STB) of up to \$60 million per year in FY16 - FY20 to the fund, for a total of \$300 million. DOT will certify the need to issue up to \$60 million per fiscal year to the State Board of Finance (SBOF).

The bill prescribes that 95 percent of the funds appropriated shall be used for planning, design, and construction of projects identified and certified by DOT as necessary to improve safety and reduce fatalities, maintain or improve the condition of roadways and other transportation infrastructure, promote economic development or mitigate traffic congestion. The remaining 5 percent of the funds appropriated shall be dedicated to support the acquisition of facilities and vehicles by county and municipal governments for public transportation programs. The DOT will develop procedures for distribution of the 5 percent available for local facilities and vehicles.

The bill allows DOT to use a design-build delivery system for projects over \$25 million for the planning, environmental clearance, design, acquisition of rights of way, new construction and reconstruction of projects.

Any amount of the \$300 million appropriated that is not certified by DOT by June 30, 2020 will expire. Any unexpended amount as of June 30, 2024 will revert to the severance tax bonding fund.

The effective date of this bill is July 1, 2015.

FISCAL IMPLICATIONS

DFA writes:

HB 92CS appropriates up to \$60 million from STB in each fiscal year FY16 - FY20, for a total of up to \$300 million. Of the annual amount of \$60 million, \$57 million, or 95 percent, would be used for planning, design and construction of statewide transportation improvement plan projects identified and certified by DOT. The remaining \$3 million, or 5 percent, per year would be for acquisition of facilities and vehicles by county and municipal governments for public transportation programs.

The \$60 million per year appropriated for transportation would directly reduce the remaining amount available for legislative appropriation in fiscal years FY16-FY20. Absent this bill, the \$60 million appropriated to transportation projects would be available for legislative appropriation each year from FY16-FY20. The enactment of HB 92CS upon the new senior STB capacity is shown in the table below.

<i>Sources and Uses of Funds</i>						
<i>Bonding Capacity Available for Authorization</i>						
<i>February 2015 Estimate</i>						
Sources of Funds (millions)	FY15	FY16	FY17	FY18	FY19	Ten-Year
General Obligation Bonds	-	187.3	-	187.3	-	\$ 374.6
Severance Tax Bonds	168.6	168.6	168.6	168.6	168.6	843.0
Severance Tax Notes*	128.2	93.5	42.0	54.4	57.5	375.6
Subtotal Senior STBs	296.8	262.1	210.6	223.0	226.1	1,218.6
Supplemental Severance Tax Bonds	-	-	-	-	-	-
Supplemental Severance Tax Notes	179.5	133.9	165.5	181.5	189.4	849.8
Subtotal Supplemental STBs	179.5	133.9	165.5	181.5	189.4	849.8
Total Sources of Funds	\$476.4	\$583.3	\$376.1	\$591.8	\$415.5	\$2,443.0
Uses of Funds (millions)						
GOB Projects Approved by Referendum	-	187.3	-	187.3	-	\$ 374.6
Authorized but Unissued STB Projects*	25.2	-	-	-	-	25.2
10% Water Projects	29.7	26.2	21.1	22.3	22.6	121.9
5% Colonias Projects	14.8	13.1	10.5	11.1	11.3	60.9
5% Tribal Projects	14.8	13.1	10.5	11.1	11.3	60.9
HB 92: Transportation Projects	-	60.0	60.0	60.0	60.0	
New Senior STB Statewide Capital Projects	212.3	149.7	108.4	118.4	120.9	709.7
Education Capital	179.5	133.9	165.5	181.5	189.4	849.8
Total Uses of Funds	\$476.4	\$583.3	\$376.1	\$591.8	\$415.5	\$ 2,443.0

SIGNIFICANT ISSUES

The STIP is a four-year, federally mandated, multi-modal transportation plan created by participation between DOT, the federal highway administration (FHWA), and local governments and planning organizations. Once stakeholders identify the highest priority projects, DOT works with FHWA to determine which projects should be funded and what the funding match should be. All of the projects that receive funding are then placed into the STIP. Because STIP projects are already funded, the provisions of HB 92 would not necessarily result in providing funding to projects which would otherwise not be funded; it will simply fund those projects through a different revenue source.

New Mexico Transportation Needs. DOT recently completed the first-of-its-kind assessment of all system-wide lane miles. The assessment used state-of-the-art imaging equipment to determine roadway conditions throughout the state. The results show New Mexico roadways are in significantly worse condition than previously thought: In FY12, 84.5 percent of non-interstate lane miles were reported in good or fair condition; in FY13, the assessment showed only 70 percent were in good or fair condition. Based on this assessment, DOT estimates FY15 highway construction and maintenance needs total \$866.1 million. The combined maintenance and construction budgets for FY15 total \$407.5 million resulting in an unfunded need, or gap, of \$458.6 million.

Maintenance Needs. DOT estimates total system wide maintenance needs to be \$266 million in FY15. The current \$150.2 million maintenance budget for FY15 leaves a maintenance gap of \$115.8 million. The maintenance gap estimate represents the per year cost of implementing a regular maintenance schedule for roads statewide based on current road conditions.

Because DOT is unable to provide maintenance consistently, roadways continue to deteriorate to the point of needing to be reconstructed at a significantly increased cost. DOT estimates the annual cost of maintaining a good condition road to be \$15 thousand per lane mile, a fair condition road costs an average \$180 thousand per lane mile, and a poor condition road may cost \$500 thousand to \$1.2 million per lane mile to rehabilitate or reconstruct.

Construction Needs. DOT estimates the FY16 need for construction to be \$600.1 million. The largest need is for roadway reconstruction and rehabilitation, which DOT estimated to be \$452.6 million. In addition to roadway construction, another \$147.5 million is needed to replace and repair bridges across the state. The current funding available for new construction is \$257.3 million, leaving a gap of \$342.8 million in FY15.

CONFLICT

HB 92CS conflicts with HB 236, HB 262, SB 113, SB 150, and SB 326.

CJ/bb/je