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FISCAL IMPACT REPORT

SPONSOR Brown **ORIGINAL DATE** 1/25/16
LAST UPDATED 1/27/16 **HB** 4/aHTPWC

SHORT TITLE Department of Transportation Appropriation Act **SB** _____

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	\$867,533.0	Recurring	State Road Fund and Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
	\$458,633.2		Recurring	State Road Fund and Other State Funds*
	\$408,919.8		Recurring	Federal Funds

(Parenthesis () Indicate Revenue Decreases)

*other state funds includes restricted funds and prior year fund balances.

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HTPWC Amendment

The House Transportation and Public Works Committee (HTPWC) amendment to House Bill 4 reflects the consensus agreement between NMDOT, Legislative Finance Committee (LFC) and Department of Finance and Administration (DFA) staff with regard to the proposed appropriation levels, authorized FTE, and performance measures and targets. HB 4 as amended appropriates \$867.5 million, including \$398.5 million from the state road fund.

The HTPWC amendment alters the original bill in the following ways:

- Redistributes roll-over authority to ensure the newly-created Modal Program has sufficient authority for FY17;
- Inserts a new performance measure and aligns existing measures with appropriate programs;
- Specifies that the contractual services category of the Project Design and Construction Program contains \$10 million for construction and maintenance of state-managed highways;
- Decreases the other costs category of the Highway Operations Program by \$2 million and increases the contractual services category by the same amount to provide for additional contract maintenance services in that program;
- Increases use of ignition interlock funding by \$2 million in the Modal Program to provide additional funding for leasing and servicing of interlock devices as well as assistance to indigent individuals required to obtain an ignition interlock device.

In addition to the changes listed above, the HTPWC amendment includes budget adjustment authority to allow NMDOT to increase the base budget in the Modal Program to accept revenue from the Taxation and Revenue Department, Department of Public Safety, and additional road fund revenue to hire temporary workers and purchase equipment for commercial truck permitting and for facility maintenance at port of entry facilities. The language allows NMDOT to seek budget increase of up to \$2 million each from TRD, DPS, and the state road fund (a total of \$6 million) to take over operations of port of entry facilities.

Finally, the HTPWC amendment includes budget increase authority of up to \$6 million from the weight distance tax identification permit fund to allow the department to pay for capital improvements to port of entry facilities.

Synopsis of Bill Original Bill

House Bill 4 appropriates \$865.8 million to the New Mexico Department of Transportation (NMDOT) including: \$456.9 million from State Road Fund revenues, other restricted funds, and other fund balances, and \$408.9 million from federal sources to support the operations NMDOT in FY16. Additionally, HB 4 supports the department's request for a re-organization and creation of a new program, Modal. The new program will remove the traffic safety, aviation, and transit and rail programs from the project design and construction program, formerly the programs and infrastructure program. The reorganization will transfer 50 FTE into the new program.

HB 4 funds the agency at the requested level and increases the use of fund balance by \$16 million. The additional fund balance was applied to the project design and construction, \$10 million, and transportation and highway operations, \$6 million, programs to support construction and maintenance efforts statewide.

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 project 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.

FISCAL IMPLICATIONS

HB 4 is essentially flat relative to the FY16 operating budget. The bill allocates all of the anticipated State Road Fund (SRF) revenue to programs and dedicates an additional \$16 million from fund balances to construction and maintenance activities. HB 4 imposes a 10 percent vacancy rate on NMDOT to maintain current staffing levels.

HB 4 accommodates an estimated \$18 million in additional federal revenue authorized in the multi-year FAST Act.

SIGNIFICANT ISSUES

NMDOT completed the first automated, systemwide condition assessment of all 30 thousand lane miles of the New Mexico transportation system. The assessment showed 70 percent of non-interstate lane miles were rated good, a significant decrease from the department's previous estimate of 84 percent in FY12. The FY14 road assessment showed further deterioration of non-interstate lane miles to 68 percent in good condition from 70 percent in FY13. The continued deterioration of New Mexico's roads is troubling because maintenance and repair costs increase dramatically as conditions deteriorate. The per-lane-mile cost to maintain a road in good condition is estimated to be \$15 thousand; a road in fair condition costs an average \$180 thousand; and, a road in poor condition requiring major rehabilitation or reconstruction costs between \$500 thousand and \$1.5 million. Because the cost of postponing maintenance increases as the pavement quality decreases, increasing expenditures for road maintenance now will likely lead to significant out-year savings.

NMDOT estimates the annual cost to maintain all state roadways to be an additional \$105 million, of which \$80 million is needed for bridge and pavement preservation and maintenance with the remaining amount needed for signage, equipment, and emergency response. NMDOT states that with this additional funding, the department would be able to move all roadways onto a 30-year maintenance schedule and keep all existing roads in good condition. Without additional funding for maintenance activities, the condition of New Mexico roads will continue to deteriorate and the total system cost will increase.

NMDOT estimates total construction needs to be \$591.3 million annually; the FY16 operating budget contains \$229 million, leaving a \$362.3 million funding gap. NMDOT estimated the additional funding needed annually to perform 75 percent of the estimated needed roadway rehabilitation and construction to be \$254.6 million. The need for bridge replacement and repair is an additional \$107 million.

CJ/jo/jle/al