



State-Funded Local Transportation Projects

Public investment in transportation infrastructure ensures that roads, bridges, sidewalks, bike lanes, and transit systems operate safely and reliably. Project delays and insufficient investment lead to deteriorating road conditions that increase long-term repair costs, create safety hazards, and cost drivers. Rural residents, comprising 25 percent of the state's population, are particularly vulnerable to deteriorating road conditions because they travel 50 percent more than urban residents. Additionally, businesses might be less likely to operate in areas with inadequate transportation infrastructure because it restricts workforce and customer mobility, reducing economic development opportunities throughout the state.

The Department of Transportation (NMDOT) relies primarily on transportation-related tax revenues that flow to the state road fund and federal funds to improve state roads, U.S. highways, and interstates. Local and tribal governments are responsible for maintaining and improving transportation infrastructure in their jurisdictions but frequently seek state grant assistance to complete projects. The state road fund generates revenue through taxes and fees, including the gasoline tax, special fuel (diesel) tax, weight distance tax on commercial trucking, motor vehicle excise tax, and vehicle registration fees. The Legislature has earmarked certain percentages of transportation-related taxes for two grant programs that support local government road projects: the transportation project fund (TPF) and local government road fund (LGRF). The TPF provides competitive grants to local public agencies and tribal governments, and LGRF distributes funding to these entities and school districts via a formula. Additionally, both state and local road projects and grant programs receive direct nonrecurring special and capital outlay appropriations.

Local and tribal entities across New Mexico reported \$5.7 billion in unfunded transportation infrastructure needs over the next four fiscal years (FY26 to FY29) on their infrastructure capital improvement plans (ICIPs), far exceeding what state programs and many local tax bases can support. Due to inconsistency in how local governments identify these needs, it is unclear if this figure represents an accurate assessment of work that could actually be completed were funding available or urgency. Nevertheless, state subsidies for local road improvements are substantial. Collectively TPF, LGRF, and local capital outlay appropriations provided more than \$600 million for local transportation projects between FY23 and FY26. Given the apparent gap between reported needs and available funding, funds should be directed to the programs best able to prioritize needs and complete projects. This policy brief assesses the administration and performance of the various state programs that fund local transportation infrastructure to support the Legislature in allocating limited transportation dollars where they will be most effective in improving road conditions.

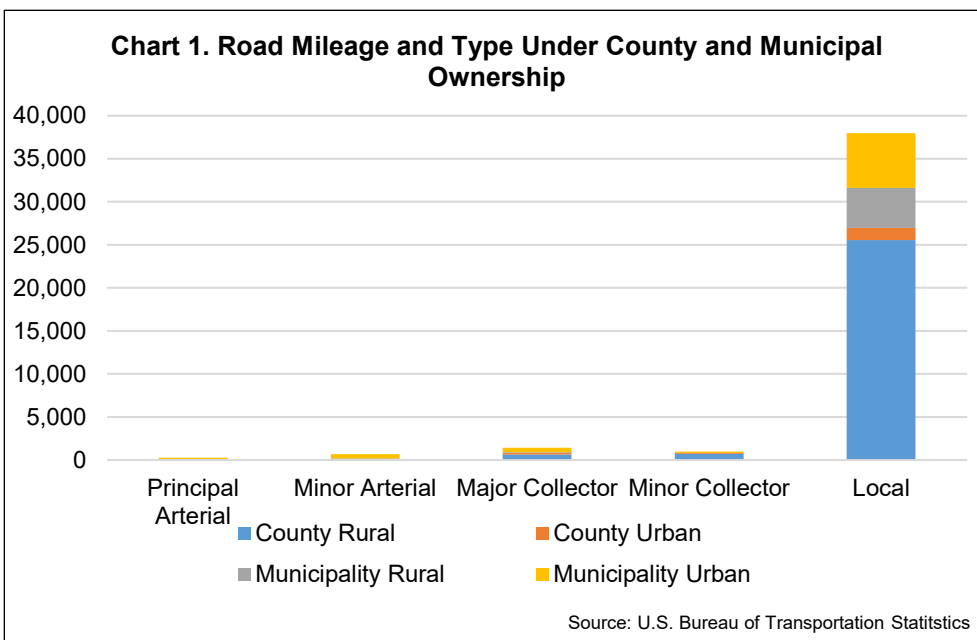
Key Takeaways

1. NMDOT’s competitive application process for TPF and LGRF—which includes technical review, project readiness assessments, and capacity vetting before funding—incorporate best practices while capital outlay follows a legislative appropriation model with inconsistent project review.
2. TPF demonstrates the best performance among the three programs in terms of adequately funding projects and minimizing the risk projects will not be completed, but it is inconsistently administered among NMDOT districts.
3. TPF and LGRF funding falls far short of demand, awarding only 38 percent and 27 percent of requested funding, respectively, between FY19 and FY25, leaving many advertisement and construction-ready projects unfunded.
4. Small communities struggle with technical expertise, contractor procurement, and administrative capacity, affecting their ability to expend state funds and complete projects on time and within budget.

Background

NMDOT owns nearly 3,000 bridges and manages and maintains 28,000 lane miles of state highways, including 11,369 lane miles within the 223,000-mile National Highway System, a network of major interstates and arterials such as Interstate 40 and Highway 84. Cities, counties, and tribes maintain locally owned roads outside state and federal control, with local governments also owning some NHS-designated bridges within their jurisdictions. Counties and municipalities collectively maintain more than 41,000 miles of roadways, with

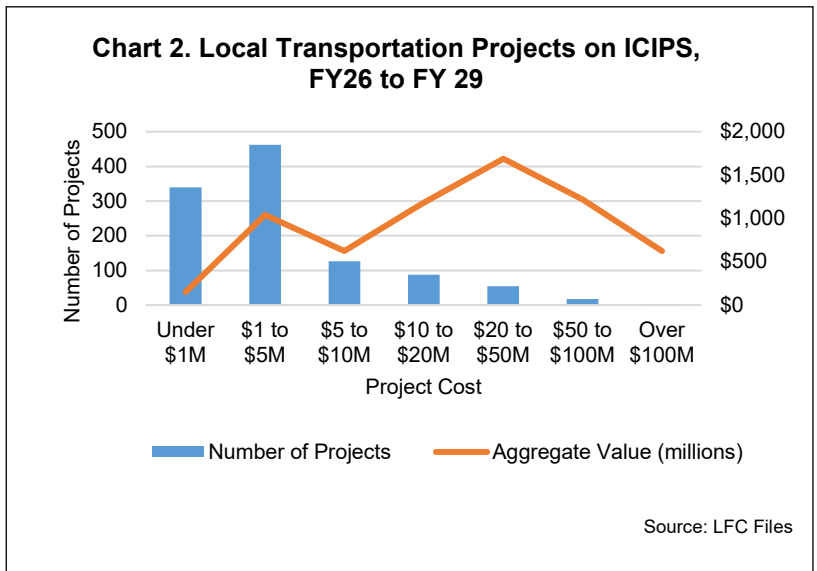
92 percent composed of small, local roads used to access land and property. Despite municipalities and counties owning more overall mileage, 63 percent of all travel occurs on larger, state-owned roads, meaning wear-and-tear on state-owned roads and the cost of maintenance and reconstruction is higher. Counties oversee nearly 29,000 miles compared to municipalities’ 12,500 miles, with more road miles located in rural areas.



Local and tribal governments report a \$5.7 billion funding gap for transportation projects planned between FY26 and FY30.

Through infrastructure capital improvement plans (ICIPs) covering FY26 to FY30, communities identified \$6.7 billion in total transportation project costs with only \$1 billion funded to date. The ICIPs include 1,089 unique projects requiring planning, design, and construction, including highways, streets, roads, bridges, pedestrian facilities, and parking infrastructure. The projects span a wide range of costs. Luna County’s \$402.5 million alternate truck bypass through Deming is the highest-cost, unfunded project. About 460 projects (42 percent) cost between \$1 million and \$5 million each, collectively totaling over \$1 billion. The Los Lunas interchange on

Interstate 25, designed to relieve traffic on New Mexico 6, is the second most expensive project on local ICIPs, at \$221 million and with \$169 million (76 percent) secured from multiple sources, including the Federal Highway Administration (\$25 million), NMDOT (\$122 million), DFA’s New Mexico match fund (\$3 million), and the village of Los Lunas (\$19 million). Albuquerque’s reconstruction of Paseo del Norte and Unser boulevards represents the highest-cost road project not connected to one of the state’s interstates at \$88 million, with \$76.2 million secured from a variety of sources, including state capital outlay appropriations to the city and Bernalillo County, the city’s gross receipts tax improvement revenue bonds, and the Federal Highway Administration.



Local transportation needs are significant but inconsistently assessed and prioritized.

Local governments and tribes use inconsistent methodologies to assess and prioritize transportation improvements. Among communities LFC staff interviewed for this report, few maintain asset management plans or tracking systems for assessing and prioritizing transportation infrastructure needs. Regional transportation planning organizations (RTPOs) assess and prioritize transportation projects in partnership with local governments and tribes for potential inclusion in the Statewide Transportation Improvement Program (STIP), a fiscally constrained list of projects using federal, state, local, and private transportation funds. However, not all communities participate in this process with their designated RTPO. Some local governments and tribes employ on-staff engineers or access on-call engineers who assist with identifying surface transportation needs. However, small communities without a staff engineer or limited access to contractors may base their priorities on visual observations, personal experiences, or resident complaints. These informal prioritization methods may include input from public works departments or local governing bodies when available but tend to lack systematic tracking and evaluation criteria.

New Mexico’s state transportation infrastructure funding needs are inconsistently measured, making it difficult to accurately fund requests.

Two primary estimates vary widely and carry significant limitations. Trip, a construction industry-sponsored transportation nonprofit, estimates \$5.6 billion in unfunded projects on state-owned roads, highways, and bridges

based on NMDOT project data as of January 2025. NMDOT's 2022-2032 Transportation Asset Management Plan (TAMP) provides a more conservative estimate of \$2.6 billion, but this figure only accounts for maintaining roads and bridges on the National Highway System (NHS), including interstates and other major federally designated highways. The NHS represents only 38 percent of New Mexico's lane miles and 40 percent of the state's bridges, excluding most state-owned infrastructure from this calculation.

Road conditions on state-owned infrastructure have declined over the past decade, increasing vehicle operating costs for New Mexico drivers.

Federal Highway Administration data cited in the Trip report show acceptable road conditions on state-owned roads declined from 75 percent in 2011 to 69 percent in 2023. Trip calculates that deteriorating conditions cost drivers \$1.6 billion annually in additional vehicle operating costs due to increased vehicle maintenance, fuel consumption, and tire wear.

Rural communities experience disproportionate impacts from declining road conditions due to heavy reliance on personal vehicles and public roads.

New Mexico's rural residents comprise 25 percent of the state's population but live in communities spread across vast distances—the state's population density of 17 persons per square mile falls well below the U.S. average of 87. According to Trip's Rural Connections report, rural households nationwide travel approximately 50 percent more vehicle miles than urban households, while accounting for 23 percent of all passenger vehicle miles traveled. Rural residents depend on motor vehicles and public roads to access jobs, healthcare, education, social services, and goods across longer distances.

Transportation projects improve safety and reliability for drivers, pedestrians, and cyclists.

When transportation projects are completed on time and within budget, transportation infrastructure is more likely to remain safe, reliable, and efficient. Conversely, insufficiently funded but needed projects compromise the safety and reliability of public transportation systems. Furthermore, when projects are delayed, costs escalate, requiring temporary repairs and emergency maintenance while straining limited public resources.

New Mexico's transportation systems have significant safety-related challenges.

The state recorded 102 pedestrian deaths in 2024, down slightly from 105 in 2023. Motor vehicle crashes killed 307 people in 2024 compared to 313 in 2023, while cyclist deaths decreased from 12 to seven during the same period. The Highway Safety Improvement Program (HSIP) is one funding source NMDOT uses to implement safety improvements on state-and local roads. Projects include cable median barriers on interstates to prevent cross-median collisions, shoulder rumble strips to alert drivers leaving travel lanes, and improved guardrail end treatments on rural two-lane roads where run-off-road crashes occur more frequently. According to NMDOT, transportation safety improvements require significant upfront construction costs and create ongoing maintenance expenses. Pedestrian hazards on streets and roads include inadequate sidewalks, insufficient lighting, and missing traffic-calming features, such as speed humps that contribute to pedestrian fatalities. Delays in essential improvements impact declining road conditions as well as the safety of drivers and active transportation users.

The Federal Highway Administration requires NMDOT to measure safety through five-year rolling averages of fatalities and serious injuries from

motorized and nonmotorized accidents, tracking outputs rather than progress toward defined goals. Between 2019 and 2021, fatalities in New Mexico increased from 379.6 to 411.6, while serious injuries decreased from 1,145 to 1,031. While the department tracks annual investment increases in pedestrian safety improvements and has established a performance target through its Target Zero initiative focusing on achieving zero driving-related deaths, the transportation industry measures success through before-and-after comparisons of level of service (LOS), where grade improvements from F to D or D to C indicate success.

Similarly, NMDOT measures reliability by tracking travel time consistency and unexpected delays without establishing benchmarked travel times in its long-range plan. The department uses delay reductions as a proxy for system reliability rather than setting specific performance standards. The department also measures mobility and accessibility improvements in strategic corridors without defining what level of improvement constitutes success.

The state distributes gasoline tax revenue directly to local governments for road projects, but the distributions represent a small fraction of documented infrastructure needs.

Since 1995 New Mexico has collected a 17-cent tax on each gallon of gasoline sold, returning a set percentage to three funds benefiting counties and municipalities. The state’s gas tax, unchanged since 1995, distributes 21.9 percent to counties and municipalities, 76.2 percent to the state road fund, and the remaining 1.9 percent to the motorboat fuel tax and state aviation funds. Communities can use the distributions for streets, roads, bridges, and mass transit. Municipalities with 4,000 or fewer residents can direct the money to their general funds. (Section 7-1-6.9 NMSA 1978) The state expects to distribute \$34.3 million in gasoline tax revenue to 33 counties and 107 municipalities in 2026. This amount represents about 5 percent (4.8 percent) of the \$717 million identified on local and tribal ICIPs as still needed for transportation projects in FY26.

Table 1. Distribution of 17 Percent Gas Tax to Designated Entities and Funds

Fiscal Year	Receiving Entity or Fund	Percent Allocation	Revenue Amount
FY26	County Government Road Fund	5.76%	\$9,000,000
FY26	Municipalities and Counties	10.38%	\$16,300,000
FY26	Municipalities	5.76%	\$9,000,000
Total		21.9%	\$34,300,000

Source: LFC Files

Most municipalities rely on state grants rather than general operating budgets to fund transportation projects. According to a 2023 LFC brief on revenues for local government operations, municipalities allocated 2 percent of general fund expenditures for transportation expenses in FY22. To supplement operating budgets and infrastructure needs, local governments

reported to LFC they generate additional revenue through paid intergovernmental agreements for road maintenance, enterprise and municipal funds from utility billings, and general obligation bonds requiring temporary property tax increases to cover debt service. However, even communities with more diverse revenue sources depend on state grants for local road projects.

Small communities' revenue constraints inhibit their ability to keep up with road maintenance without state assistance. According to the New Mexico Municipal League, municipal local option gross receipts tax (MGRT) is the major source of municipal revenues and, together with state GRT distributions, makes up over two-thirds of municipal general fund revenues. Counties, in contrast, collect most of their revenue from property taxes. Two municipalities with state-sponsored road projects reviewed by LFC illustrate the challenge of completing road projects with existing revenues. The village of Williamsburg collected \$660,539 in gross receipts tax in 2024, representing 71.7 percent of its general fund revenue, while the town of Peralta collected approximately \$1.4 million in gross receipts tax, representing 37.8 percent of its general fund. Both communities receive minimal gasoline tax distributions from the state road fund. Peralta received \$48,768, while Williamsburg received \$43,806 in FY25. The projects Peralta sought state support for in recent years ranged in cost from \$300 thousand to nearly \$1 million. Similarly, Williamsburg's projects ranged from \$31.7 thousand to \$1 million. Williamsburg ended 2024 with a negative \$12,232 balance in its street fund, meaning street expenses exceeded revenue. Peralta, however, maintained a \$1.4 million year-end balance in its street fund, due to state grant awards received between FY20 and FY26 and a small proportion of gas tax from the state road fund.

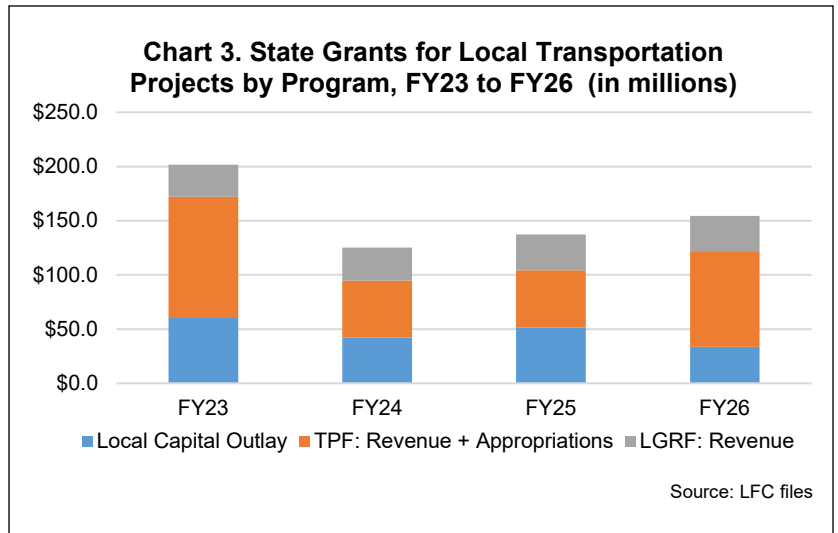
In addition to gas tax distributions, the state subsidizes local road projects through capital outlay and special grant programs, with more than \$618 million provided since FY23. NMDOT administers two grant programs for local governments and tribes through competitive application processes: the transportation project fund (TPF) and the local government road fund (LGRF). According to NMDOT, TPF was originally created to fill a critical gap in bridge financing. Prior to the Infrastructure Investment and Jobs Act in 2021, federal funding was not available for bridges off the National Highway System, making TPF the only funding source for local governments to maintain their bridge inventories. Both programs are funded with earmarked tax revenue, with TPF supporting larger projects and LGRF supporting routine maintenance. Based on revenue projections for FY26, the two programs combined are expected to receive \$82.6 million, while taxes earmarked to the state road fund totaled \$570 million. TPF is projected to receive \$50.3 million, while LGRF is expected to receive \$32.3 million. The Legislature supplemented TPF's recurring funds with nonrecurring appropriations in 2022 and 2025 totaling \$98 million.

Additionally, the Legislature and governor annually appropriate discretionary capital outlay funds for local road projects. Local transportation projects are among the most common project types to receive direct capital appropriations from legislators. In 2025, requests to the Legislature for local capital outlay for transportation projects totaled \$472.4 million, of which \$33.7 million was funded. Between 2021 and 2024, annual local capital outlay for transportation projects ranged from \$40 million to \$60 million. NMDOT's Project Oversight

Division (POD) administers these capital outlay projects, overseeing the funding of planning, design, and construction of street and drainage improvements, right-of-way acquisition and material purchases.

NMDOT's federal funding remains largely stable through September 2026, though recent federal policy changes eliminated some grant programs and threaten competitive awards to local governments.

The Infrastructure Investment and Jobs Act (IIJA) continues to provide \$13 billion in federal transportation funding to all states for core highway, transit, and multimodal programs through September 2026, and was unaffected by recent federal budget bills. The Surface Transportation Block Grant (STBG) program, part of the IIJA, maintains federal funding set-asides for the Transportation Alternatives program (TAP). STBG's funding of TAP will continue federal financial support of pedestrian and bicycle access programs. The Federal Highway Administration has allocated these formula funds to states, where state departments of transportation and metropolitan planning organizations administer competitive processes and work directly with applicants. The federal House Transportation and Infrastructure Committee has begun reauthorization hearings for federal transportation funding that will continue throughout 2025 for these post-2026 programs.



However, HR1 (the federal budget reconciliation bill designated House Resolution 1), signed into law in July 2025, rescinded the Federal Highway Administration's neighborhood access and equity grants, which funded planning and construction of projects that improved walkability, safety, and access to affordable transportation. The federal administration has stated that its transportation funding will emphasize car-based projects. This policy shift threatens competitive grant awards to municipalities, including an \$11.5 million federal Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grant awarded to the city of Albuquerque in 2022 for part of the rail trail system. Recently, the city filed a lawsuit against the federal government to release the previously awarded funding.

Federal programs continue to provide direct funding to New Mexico tribes for transportation infrastructure, but recent administrative challenges have slowed project implementation.

Tribal governments have earmarked Federal Tribal Transportation Program (FTTP) funds from the Federal Highway Administration's Office of Tribal Transportation and Bureau of Indian Affairs (BIA), bypassing state administration. All New Mexico tribes receive FTTP funding for their tribal road system under 25 CFR Part 170. Tribes can also use FTTP funds to construct and recondition state and county roadways within their jurisdictions, but this practice reduces available funding for tribal roadways that only tribes maintain. Even though Congress has not rescinded federal funds for tribal infrastructure projects, the BIA Southwest Region, through the Department of the Interior, has acknowledged that federal layoffs have negatively impacted regional office staffing, extending project review times. The state supplements federal tribal programs through the Tribal

CASE STUDY: Town of Peralta

Peralta secured 67 percent of the state transportation funding it requested from FY19 to FY26—\$3.9 million of the \$5.8 million it sought—and is on track to complete all projects on time and within budget despite operating with six staff members and limited local revenue. Staff stability and institutional knowledge have enabled Peralta to become one of District 3's most successful rural communities in securing state transportation grants. This Valencia County community of 3,389 residents faces daily infrastructure challenges from a high-water table and increasing pass-through traffic along NM-47 to and from Los Lunas that stresses existing roads.

The town's funded projects address specific road deficiencies. Reconstruction and drainage improvements to Algodones Road, a residential street connecting to NM-47, will alleviate flooding and road deterioration issues while aligning with the previously completed drainage improvements to NM-47. After two unsuccessful LGRF municipal arterial program (MAP) applications, the town received a TPF award for the Algodones project in FY26. Other funded projects will reconstruct deteriorating residential streets or reclaim existing surfaces by adding new asphalt layers to extend pavement life. From FY19 to FY26, NMDOT District 3 recommended approval for six of seven TPF applications totaling \$3.2 million plus \$679,250 in LGRF MAP grants.

All six of the town's staff members have at least five years tenure, with the town clerk serving over 11 years. District 3 staff noted that entities with high staff turnover typically struggle with program management and sometimes require supplemental funding to complete state funded road projects.

Town of Peralta State Transportation Grants Requested & Awarded

Fiscal Year	Fund	Project	Request	Awards
FY19	LGRF MAP	Ladera Road	\$393,750	\$393,750
FY20	LGRF MAP	Algodones Rd. drainage improvements	\$281,250	\$0
FY21	LGRF MAP	Ladera Road improvements phase III	\$337,500	\$285,500
FY22	LGRF MAP	Algodones Rd. & NM47 drainage improvements	\$299,250	\$0
FY23	LGRF MAP	Algodones Rd. & NM47 drainage improvements	\$321,000	\$0
FY20	TPF	Ladera Road improvements phase II	\$441,750	\$441,750
FY22	TPF	Hy Pear Loop reconstruction	\$446,500	\$446,500
FY22	TPF	Martha Lane reconstruction	\$446,500	\$446,500
FY23	TPF	Valle Lindo reconstruction	\$879,937	\$879,937
FY24	TPF	Jolly Dino Acres reconstruction	\$979,925	\$0
FY26	TPF	Algodones Rd. improvements phase II	\$496,518	\$496,518
FY26	TPF	Mangham Court Improvements	\$516,525	\$516,525
Total			\$5,840,405	\$3,906,980

Source: LFC Files

Infrastructure Act, with funding from the tribal infrastructure fund (TIF) totaling almost \$22 million for various tribal transportation projects between 2020 to 2025.

NMDOT's transportation grants provide funding to tribes and local governments that may lack the administrative capacity to apply for and manage federal transportation funding. The local government road fund (LGRF) and the transportation project fund (TPF) provide state-sponsored funding for vetted, local, and tribal transportation projects. Because of the complexity of federally funded transportation projects, TPF and LGRF generally do not fund projects that involve federal money, though some local governments have used LGRF to match federally funding awarded through NMDOT. Without federal funding attached to the projects, local entities can complete projects without federal compliance requirements such as Title VI,

which ensures nondiscrimination in hiring and procurement but can complicate project implementation and completion. Several local communities interviewed by LFC reported that applying for TPF was significantly easier than applying for federal grants and that state grants are a source of “easy money” for road repair and resurfacing projects. Several NMDOT district offices and regional planning organizations confirmed to LFC staff most small entities cannot handle the administrative and technical demands of federal transportation funding.

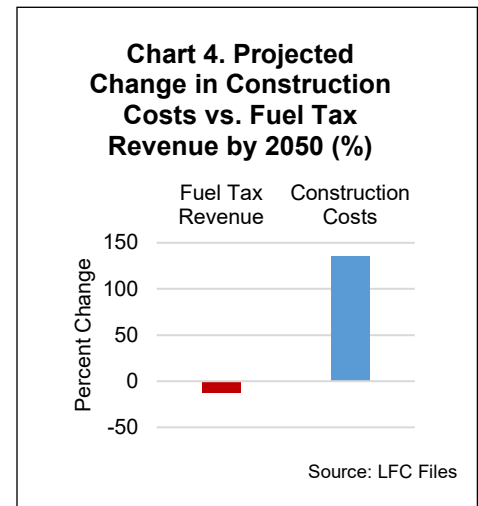
Long-term declines in transportation-related revenues challenge both the state and local governments.

Declining fuel tax revenues threaten both state and local transportation funding over the next 25 years. As vehicles become more fuel-efficient and electric vehicles become more common, fuel taxes are expected to decline. Between 2025 and 2050, NMDOT projects state road fund revenues will decline 13 percent while road construction costs rise 136 percent, creating shortfalls if additional revenue is not secured. In the short term, road fund revenues are expected to remain relatively flat. State road fund projections between 2022 and 2027 estimate gasoline, diesel, weight distance taxes, and registration fees will grow by 1.3 percent.

New Mexico’s gasoline tax produces 21 percent of the state road fund and ranks fourth lowest nationally. In 1995, the gas tax was lowered 3 cents, from 20 to 17 cents, and has remained unchanged since then. The state’s diesel tax, at 21 cents per gallon, generates 25 percent of the state road fund and ranks ninth lowest nationally; it was last increased by 3 cents, in 2004. Motor fuel taxes comprise 46.5 percent of New Mexico’s transportation revenue compared to the national average of 37.6 percent in 2023. These declines in revenue will affect both state roads and local transportation infrastructure, as local communities compete for shrinking shares of the state road fund.

Recent legislative efforts to increase revenues for road projects have failed. To alleviate the anticipated shortfall in the state road fund, the Legislature has proposed raising existing fuel taxes, implementing new fees, and restructuring vehicle sales tax distribution. A 1 cent gasoline tax increase would generate an additional \$6.8 million annually, while a corresponding 1 cent diesel tax increase would generate \$6.6 million. Recent legislation has proposed higher commercial trucking weight distance taxes, passenger vehicle registration fees, and electric vehicle fees, but no such changes have been enacted.

Increasing fuel taxes could generate additional revenue for local entities, but administrative complexity may deter smaller jurisdictions. New Mexico statute 7-24A-5 currently allows counties, but not municipalities, to impose a tax of up to 2 cents per gallon on gasoline sold within their boundaries, but no county has adopted such an ordinance, according to NMDOT officials. In 2017, House Bill 63 proposed authorizing both counties and municipalities to impose a local option fuel tax on gasoline and diesel of up to 5 cents per gallon, subject to voter approval. LFC’s fiscal impact report for the bill projected this could generate approximately \$48.5 million by FY21. However, the bill required municipalities and counties to establish their own collection and reporting procedures. The Taxation and Revenue Department



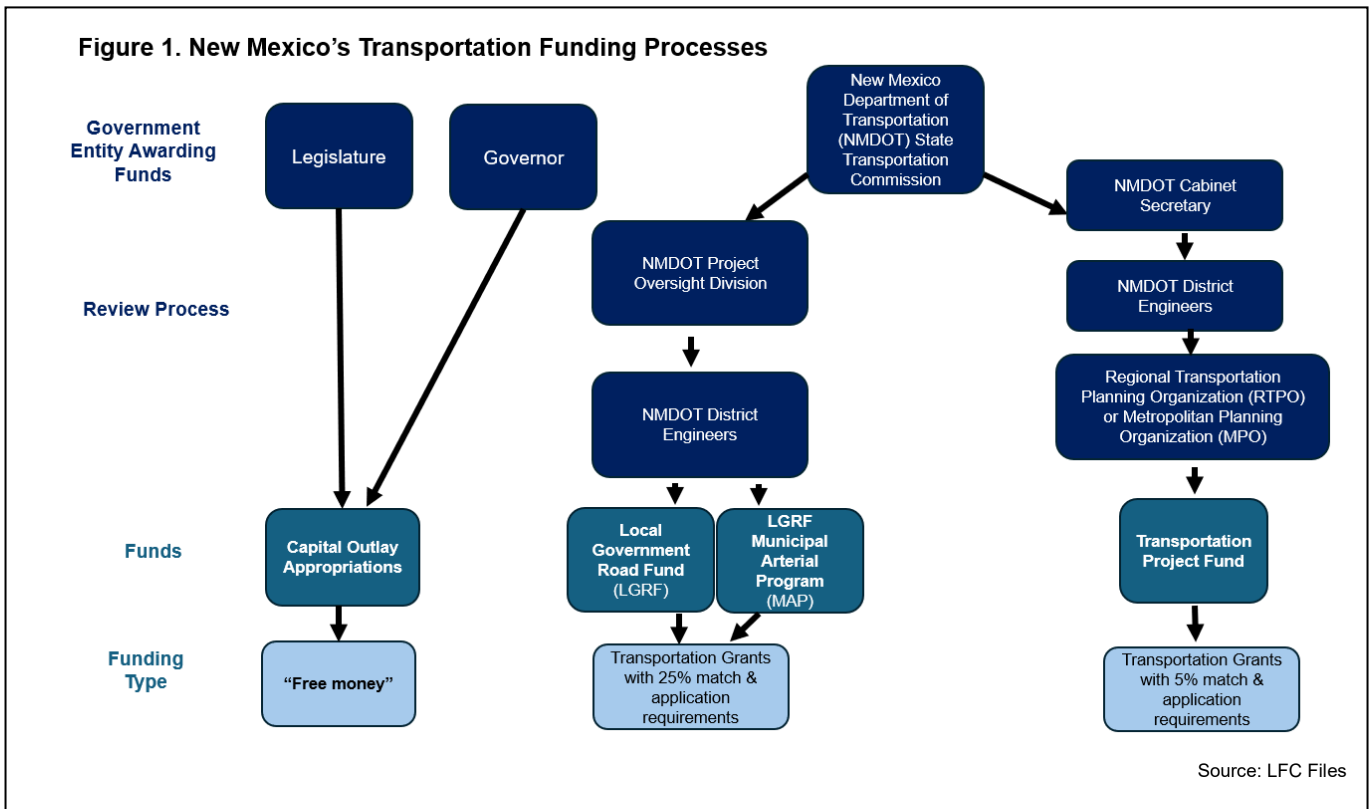
identified this as a significant compliance challenge for smaller jurisdictions that would need to develop IT systems, hire staff for registration and refund processing, and oversee audits. The New Mexico Municipal League supported the legislation, noting local governments had not received a gasoline or diesel tax increase in years and needed revenue for road maintenance. The bill passed both chambers but was vetoed by the governor.

TPF and LGRF provide a more structured funding process than capital outlay and more consistently follow best practices in awarding funds

Capital outlay lacks formal review and prioritization processes, with individual legislators and the governor appropriating funds without a consistent structure for vetting applications. Additionally, capital outlay's reimbursement structure creates cash flow barriers for under-resourced communities lacking upfront funding capacity. The transportation project fund (TPF) and local government road fund (LGRF) eliminate this barrier through disbursement-based grants; NMDOT releases funds in a lump sum after finalizing the contract with the grantee. NMDOT guidelines and state statute (Sections 67-3-28 and 67-3-78, NMSA 1978, 18.27.6 NMAC) require planning organizations to review TPF applications, with some helping local communities complete applications and verify cost estimates. For both TPF and LGRF, district offices ensure projects are shovel-ready or advertisement-ready before awarding funds, which also helps grantees complete projects.

- TPF Evaluation Criteria:**
- Construction feasibility
 - Being listed in planning documents
 - Project readiness
 - Project phasing
 - Priority bridge designation
 - Additional criteria from MPO/RTPO

NMDOT uses a multi-tier review process to award TPF grants, with final approval occurring between nine to 10 months after the initial call for

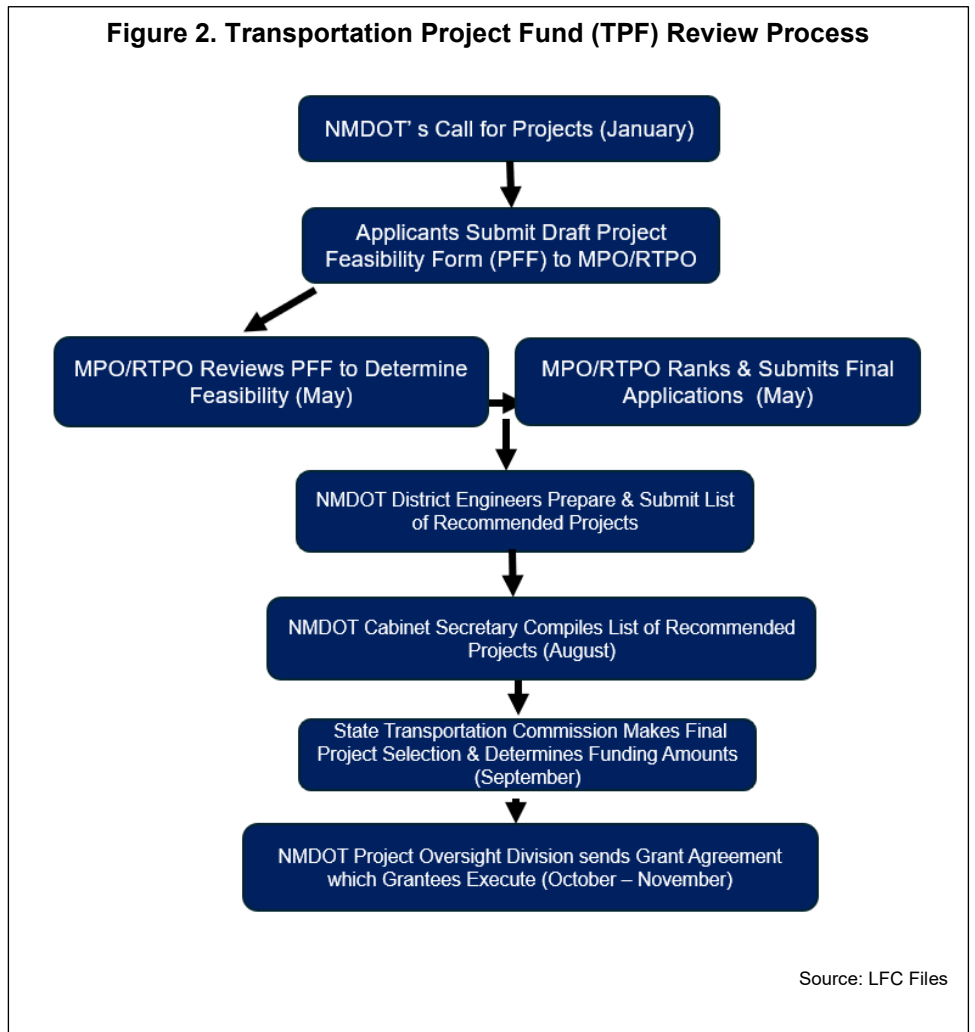


projects. In January, NMDOT distributes a call for projects to all metropolitan planning organizations (MPOs) and regional transportation planning organizations (RTPOs). The planning organizations notify their member communities and collect applications.

Eligible entities submit preliminary project feasibility forms (PFFs) to their respective planning organization, which makes an initial determination of project feasibility. The PFF specifies the phase to be funded (planning, design, or construction), while district engineers review applicants' track record of previously completed projects and provide technical assistance helping local government better define project scopes and estimates. Eligible entities then submit complete applications to their respective planning organization, including a cover letter, scope, match documentation, and a completed project feasibility form signed by the district engineer. Planning organizations rank applications using criteria specified in the call for projects and submit their ranked lists with final applications to district engineers in May.

District engineers compile their own lists of recommended projects and submit them to NMDOT's cabinet secretary, who then submits recommendations to the State Transportation Commission for final approval by the end of August or early September. If a planning organization declines to rank projects, it must submit a letter to the secretary acknowledging the district may rank on their behalf. NMDOT must execute fully signed grant agreements by November 30. Work can begin only after grant agreements are finalized and awardees receive a notice to proceed. Grantees must begin spending within three months of receiving their executed grant agreement and complete all expenditures within 30 months of the agreement's effective date. TPF funds environmental studies, planning, design, right-of-way acquisition, construction, and non-motorized projects, a wider range than LGRF's coverage of routine maintenance projects.

The TPF application process connects communities with regional planning organizations and opens pathways to additional funding sources. Applying for the TPF requires communities to work with their respective planning organization, creating relationships that can lead to funding recommendations from other sources. Some regional transportation planning organizations reported to LFC that the



TPF’s review process improved participation among member communities in their regions.

LGRF’s simplified application process bypasses regional planning organizations, reducing coordination requirements and making it more accessible than TPF for routine maintenance projects. Local entities submit a letter of request directly to their district engineer by March 15, including project location, scope, cost estimate, justification, and governing body support, bypassing TPF’s multi-layered review through planning organizations. NMDOT district engineers review applications and recommend projects. The State Transportation Commission then approves awards for the upcoming fiscal year.

NMDOT Project Oversight Division staff reported that all applications for LGRF’s county arterial, school bus route, and cooperative agreement programs receive funding recommendations. Although LGRF projects require a 25 percent local match compared to TPF’s 5 percent, NMDOT offers hardship waivers for communities unable to afford the match. The program funds lower-cost activities, such as maintenance and repair of public highways, streets, and school parking lots, routine work preventing costlier reconstruction later, with most programs averaging approximately \$200 thousand per award between FY19 and FY26. However, the Municipal Arterial Program (MAP) experiences much higher demand: between FY19 and FY25, communities requested \$181.9 million but received only \$44.2 million (24 percent), averaging \$237.5 thousand per funded project.

LGRF’s statutory funding formula and smaller project scale distinguish it from TPF’s competitive application-based selection process. State statute requires 26 percent of LGRF to be used for the county arterial program, 16 percent for the municipal arterial program, and 16 percent for the school bus route program, with the remaining 42 percent used for the cooperative agreement program split between counties, municipalities, schools, and tribes. Both programs require awardees to meet federal Americans with Disabilities Act (ADA), environmental, and engineering standards. NMDOT states in its procedural guidelines that awardees are responsible for projects complying with appropriate design standards and engineering requirements. Additionally,

LGRF Formula Based Funding:

- Cooperative Program: 42 percent
- County Arterial: 26 percent
- School Bus Routes: 16 percent
- Municipal Arterial (MAP): 16 percent

Figure 3. Use of Best Practices in Local Transportation Grant Programs

Local Match Requirement	X	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Formal Application	X	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Project Review, Vetting & Prioritization	X	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Project Readiness Requirement	X	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Technical Assistance Available	X	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Capital Outlay	Transportation Project Fund	Local Government Road Fund

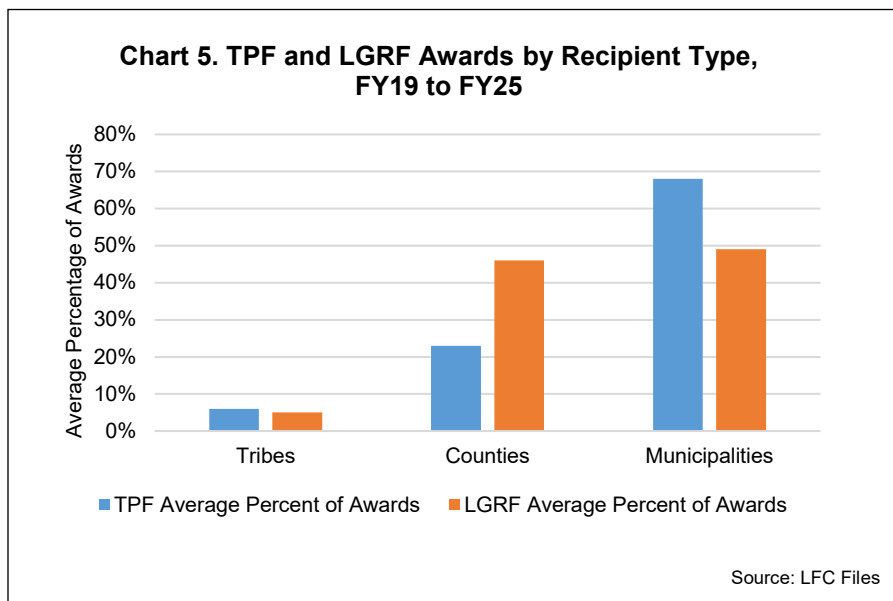
Source: LFC Analysis

all LGRF projects exceeding \$100 thousand must be certified by a registered professional engineer.

TPF funds projects at more appropriate levels to support completion than capital outlay appropriations

The TPF and the LGRF are tailored to different funding scales and project types. The TPF funds transportation projects at an average of more than \$1 million per award, while the LGRF provides smaller awards below \$300 thousand for routine repair and maintenance. NMDOT district offices and regional transportation planning organizations (RTPOs) or metropolitan planning organizations (MPOs) review, vet, rank and prioritize TPF applications, while LGRF applications are submitted directly to NMDOT. Both programs require projects to be ready-to-bid and follow processes designed to ensure grant funds will complete either a functional phase or the complete project. While TPF was established in 2019, LGRF began more than a decade earlier. Both programs receive recurring state funding for local and tribal transportation projects.

TPF's competitive process awards funding primarily to municipalities, while LGRF's statutory formula distributes funding more evenly between municipalities and counties. From FY19 to FY25, municipalities received 61 to 77 percent of TPF awards compared with 15 to 30 percent for counties. LGRF shows more balance: Municipalities received 38 to 50 percent of awards while counties received 40 to 60 percent, despite LGRF's statutory formula designating 26 percent of funding for the county arterial program and 16 percent for the municipal arterial programs. TPF's competitive process may more closely reflect demand among New Mexico's 162 eligible entities: 106 incorporated municipalities, 33 counties, and 23 federally recognized tribes.



Average TPF awards were \$1.2 million from FY22 to FY25, more than double the average capital outlay appropriation for local transportation projects over the same period. Between FY22 and FY25, the average capital outlay award totaled \$484 thousand. Due to rising construction costs, TPF now

focuses on funding complete functional phases rather than entire projects, while capital outlay awards may not be sufficient to cover a functional phase.

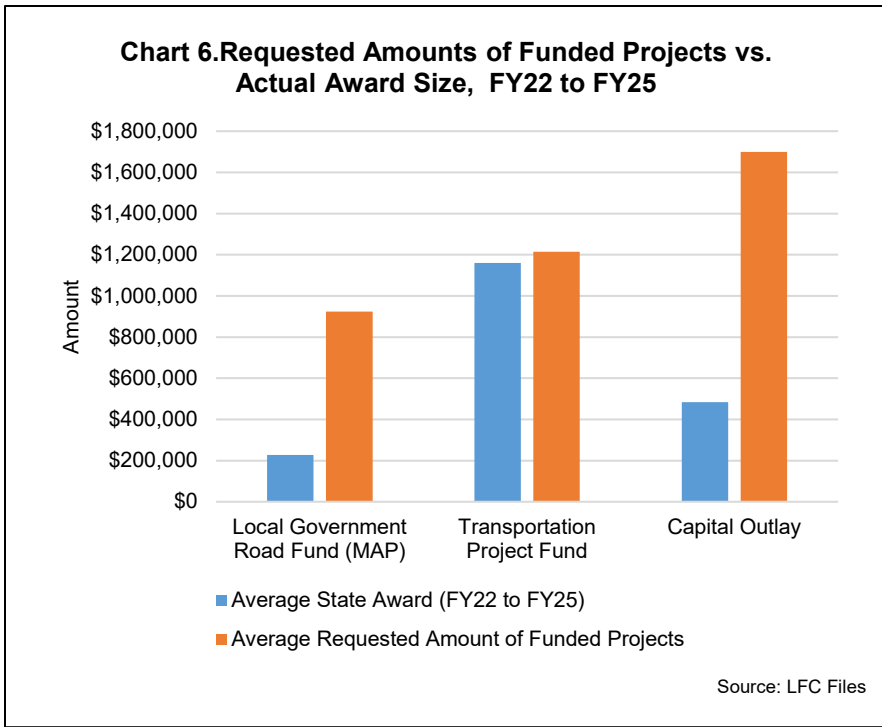
Table 2. Capital Outlay, Transportation Project Fund & Local Government Road Fund (MAP) Average Awards

Year	Local Capital Outlay: # of Projects	Local Capital Outlay: Average Award	TPF: # of Projects	TPF: Average Award	LGRF (MAP): # of Projects	LGRF (MAP): Average Award
FY22	113	\$436,877	116	\$1,389,068	27	\$206,753
FY23	106	\$567,485	79	\$1,185,574	26	\$234,846
FY24	104	\$406,248	65	\$1,016,848	27	\$227,068
FY25	98	\$524,077	50	\$1,048,692	35	\$238,838

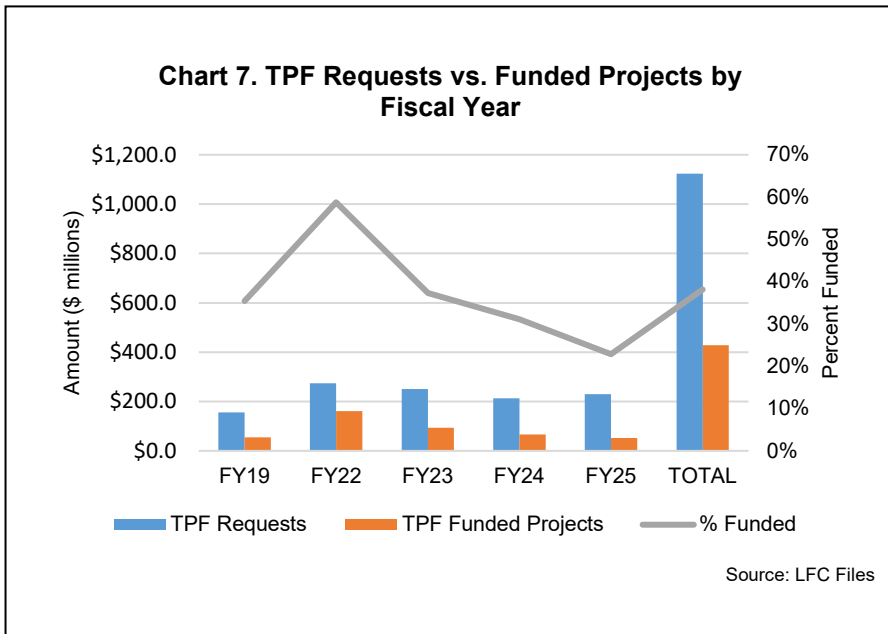
Source: LFC files

Recurring revenue from the motor vehicle excise tax plus legislative appropriations from the general fund has enabled TPF to target larger infrastructure projects. TPF receives dedicated annual revenue equal to 18.75 percent of motor vehicle excise taxes, while LGRF’s municipal arterial program (MAP) receives 1.44 percent from the state’s gasoline tax along with additional revenue shared with the remaining LGRF programs: 9.52 percent and 26.67 percent from diesel tax and petroleum products loading fee, respectively. The Legislature supplemented TPF with additional general fund appropriations totaling \$98 million in 2022 and 2025, enabling the fund to target larger projects rather than routine maintenance work that characterizes LGRF awards.

Capital outlay appropriations for local transportation projects fulfilled 28 percent of requests for funded projects from FY22 and FY25, while TPF awarded 99 percent of requests for funded projects. The average local capital appropriation was \$484 thousand over this period, while the average request amount for projects that received funding was \$1.7 million. In comparison, TPF awarded 99 percent of applicants’ requested amounts, ensuring grantees can complete a fully functional phase or entire project. LGRF’s municipal arterial program (MAP) had a lower award rate than capital outlay, funding 25.7 percent of awardees’ requested amounts, indicating piecemeal funding. MAP’s low award rate may result from NMDOT’s practice of not requiring additional review or vetting from metropolitan and regional transportation planning organizations. Instead, applications go directly to NMDOT district offices, with many applications requesting amounts higher than the average award. The wide discrepancy in award rates between programs suggests TPF shows significantly better performance in terms of appropriately sizing awards to project needs and is the most likely to effectively support project completion.



Demand for the TPF consistently exceeds available funding. TPF awards represented 39 percent of total requested funding, including unfunded projects, between FY19 to FY25, making it a highly competitive program. Local communities requested approximately \$1.1 billion in TPF funding during this period. NMDOT awarded \$428.6 million, funding 374 out of 840 projects, or 44.5 percent of applications. Several program features drive high demand, including the required 5 percent local match, with a need-based match waiver, and a disbursement-based grant process. In comparison, capital outlay requires no match, but its reimbursement structure can create cash flow barriers for under-resourced communities lacking upfront funding capacity. LGRF requires a 25 percent local match.



Demand for capital outlay for local road projects is higher than for TPF, despite its smaller, often insufficient awards. From the 2021 to 2025 sessions, local entities submitted \$3.3 billion in requests for capital outlay for road projects with appropriations of \$236.8 million meeting 7 percent of demand.

Most projects seeking funding do not receive TPF awards, despite meeting eligibility criteria. NMDOT District 1 recommended funding for only three out of 19 TPF projects from the South Central Regional Transportation Planning Organization 2024-2025 *Regional Transportation Improvement Program Recommendations*, a document listing prioritized transportation projects within the region. District 1 attributed this gap to funding limitations, although it confirmed that 99 percent of all submitted TPF applications met quality standards and could have been funded. From FY19 to FY26, District 1 received \$185.6 million in TPF requests but funded only \$70.5 million, or 38 percent of requests. NMDOT’s comprehensive selection process combined with limited funding leaves many technically eligible projects unfunded.

LGRF’s Municipal Arterial Program (MAP) experiences higher competition than TPF, awarding 27 percent of requested funding between FY19 and FY25. Communities requested \$163.2 million in MAP funding during this period, with NMDOT awarding \$44.2 million. MAP offers attractive features compared to LGRF’s other categories (cooperative, county arterial, and school bus route programs): It allows 24 months for project completion instead of 18 months and provides a slightly larger average award of \$237.5 thousand versus \$200 thousand.

Table3. Requested vs. Awarded Funding from Local Grant Programs, FY19 to FY25 (in thousands)

Program	Total Requested Amount	Awarded Projects' Total	Award Rate
LGRF MAP	\$163,152.4	\$44,182.0	27%
TPF	\$1,100,000.0	\$428,600.0	39%
Local Capital Outlay for Roads	\$3,278,600.5	\$203,129.8	6%

Source: LFC Files

LGRF operates under a statutory funding formula where each program receives a set percentage of earmarked tax revenue. Counties and municipalities each receive designated shares of LGRF funding—16 percent for MAP and 26 percent for the county arterial program. With 106 incorporated municipalities competing for MAP funds compared to only 33 counties applying for county arterial grants, MAP faces significantly more competition. This imbalanced demand has resulted in a \$27.1 million balance in unused funding within LGRF according to NMDOT’s FY27 budget submission, suggesting the statutory funding formula should be revised.

Transportation funding has not kept pace with rising construction costs

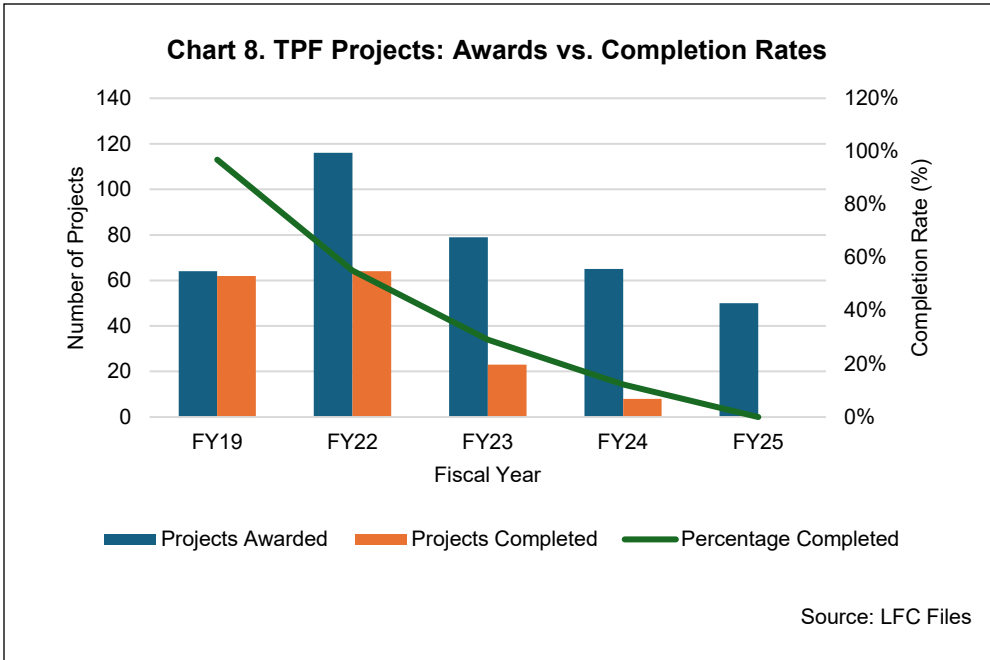
Between 2022 and 2025, highway construction costs increased 21 percent according to the National Highway Construction Cost Index, yet funding from the state's three grant programs remained flat or declined.

The TPF averaged \$76.4 million annually during this period, with the FY23 total of \$111.8 million benefiting from a one-time \$60 million appropriation. In FY24 and FY25, available funding was \$52.5 million and \$52.9 million, respectively. LGRF revenues increased by 9 percent from \$29.5 million in FY23 to \$32.3 million in FY26 and averaged \$32.3 million annually. In contrast, capital outlay appropriations are unpredictable, totaling \$46.9 million in FY23 and \$33.7 million in FY26, for an average of \$46.9 million annually. Starting in FY23, the state has responded to the challenge of rising construction costs by reducing the number of TPF projects awarded and promoting the funding of phases rather than complete projects.

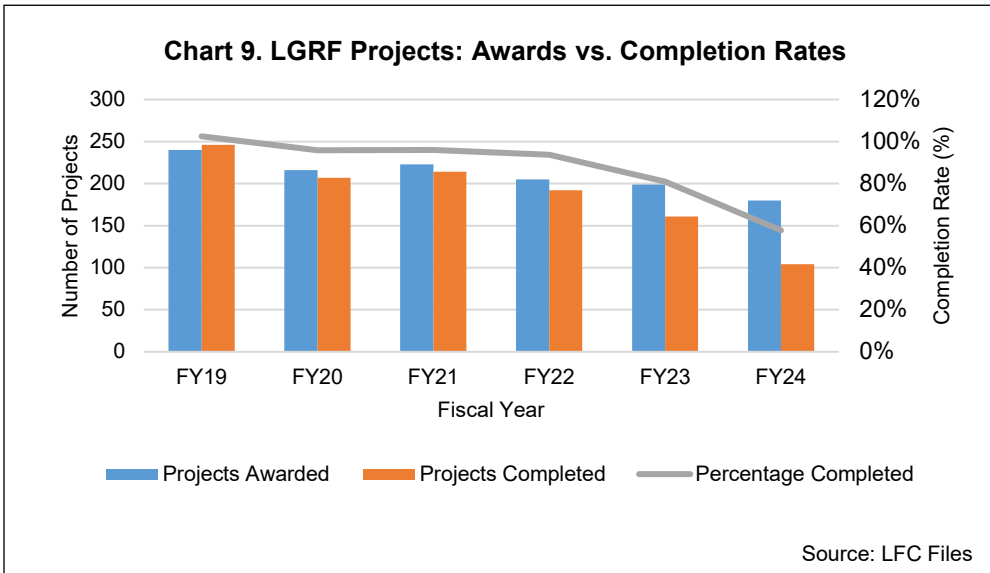
Nearly 12 percent of TPF awards between FY19 and FY25 went to projects requiring multiple funding rounds despite NMDOT's intent to fund projects to completion. NMDOT designs TPF awards to fully fund projects. However, out of 374 awarded projects between FY19 to FY25, LFC identified 19 projects that collectively received 44 awards during this period. Grantees did not initially label these projects as phased, which indicates they needed additional funding to complete work originally planned under a single award. The reasons for these funding shortfalls remain unclear but could include project scope expansion, inaccurate or outdated construction cost estimates, procurement and bidding complications, or insufficient contingency budgets. When any of these issues occur, municipalities often return to TPF for additional funding rounds to complete their projects.

NMDOT considers a project completed when the grantee fully expends the award, submits final disbursement documentation to the Project Oversight Division (POD), and receives notification from the district office to close the project, confirming the contract is finalized and the work is completed. The department may also conduct an in-depth analysis after contract finalization to evaluate whether an entity properly administered, implemented, and completed a project but does not provide this in-depth analysis for all projects. When projects remain incomplete past their expenditure deadline, POD decides case-by-case whether to extend the contract term, with decisions largely dependent on whether the project was funded from the state's general fund or state road fund.

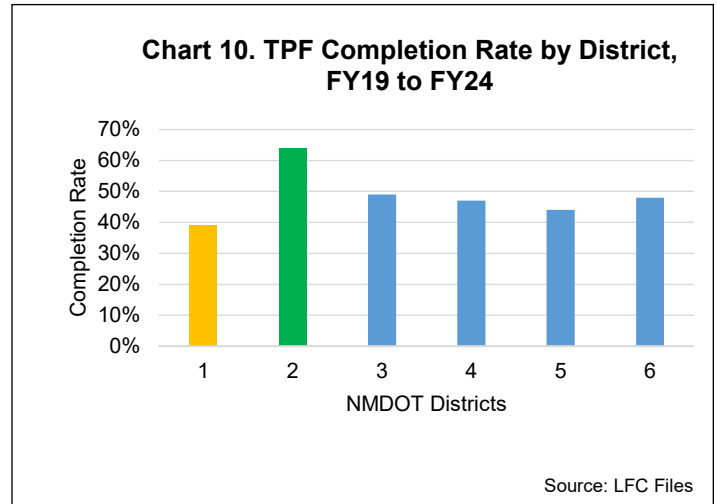
TPF completion rates have declined since FY22, with a \$13.1 million budget shortfall across all FY23 projects requiring supplemental funding for that year. TPF had a promising start in FY19, before the Covid-19 pandemic, with nearly all awarded projects completed within the grant award year. NMDOT made no awards between FY20 and FY21 due to office closures and government shutdowns. By FY22, the program's second active year, the number of awards increased by almost 81 percent, from 64 to 116 projects. However, completion rates have continually dropped since FY22, possibly due to rising construction costs, labor shortages, and bidding challenges in remote rural areas.



LGRF project completion rates also declined, dropping from 94 percent in FY22 to 81 percent in FY23 and then to 58 percent in FY24. LGRF projects experienced similar challenges as TPF projects from rising construction costs and labor shortages during and after Covid-19. Rural and remote LGRF projects face additional obstacles because equipment rental requires longer lead times and worker availability is limited in these areas, causing municipalities, counties, and tribes to import workers from larger population centers. NMDOT attributed the decrease in project completion rates between FY23 and FY24 to time extensions granted for project scope changes, which would extend completion dates beyond FY24. NMDOT decreased the number of LGRF project awards by 12 percent during this period, from 205 projects in FY22 to 180 projects in FY24, possibly due to the backlog of uncompleted projects.



NMDOT inconsistently evaluates outcomes for its grant programs. For TPF projects, such as in Districts 1 and 2, NMDOT may use additional criteria from corresponding planning organizations during the application review phase to assess whether a proposed project will improve safety or economic development opportunities. However, the department does not conduct post-completion evaluations verifying projects met these additional criteria or achieved their intended community benefits. NMDOT ensures funds are spent and projects are completed, focusing measurement on contract compliance. At a recent transportation commission meeting, NMDOT officials announced plans to implement a benchmarking system to assess the effectiveness of the department’s work and investments, which could provide the outcome data currently missing from TPF and other transportation infrastructure programs.



NMDOT’s District 2 achieved the highest transportation project fund completion rate, with application support from its regional planning organization possibly contributing to the success. Between FY19 and FY24, District 2 grantees completed 64 percent of 53 awarded projects—the highest rate among all districts. The Southeast Regional Transportation

CASE STUDY: Town of Tatum

The town of Tatum received \$1.1 million in state road funding between FY24 and FY26—only 48 percent of what it requested—with Transportation Project Fund (TPF) grants providing the majority. Tatum, an incorporated municipality of 706 residents in northern Lea County at the crossroad of U.S. Route 380 and NM State Road 206, applied for over \$2.3 million in state grants for local road projects between FY24 to FY26. The town received \$838,617 through two TPF funding rounds. However partial funding requests for their 2nd Street project resulted in receiving two Local Government Road Fund’s (LGRF) cooperative program awards in FY25 and FY26 totaling \$27,230, while a larger request of \$539,525 was denied funding.

Strong partnerships with NMDOT’s District 2 staff and the Southeast RTPO enabled Tatum to secure both TPF awards, which equaled 51 percent of the town’s total capital project funding according to their FY24 audit. The Southeast RTPO assisted the town with TPF applications while District 2 staff guided project administration. The town’s FY24 audit shows it received \$804,117 in total state and local grants, with the TPF award of \$414,117 representing the majority. An unidentified "local grant" mentioned in the audit provided the remaining \$390,000 for capital projects.

Tatum’s TPF general awards funded planning, design, and maintenance activities throughout the town rather than specific road improvements, making measurable project outcomes difficult to establish. The \$838,618 in TPF awards covered these activities for unidentified roads throughout the municipality. The town reported to LFC that it found the TPF process to be clearly laid out with required steps and was not an administrative burden. Both the town and NMDOT measure project completion by planning and design creation and fund expenditure rather than infrastructure outcomes.

Town of Tatum State Funds Requested and Awarded

Fiscal Year	Fund	Project	Request	Awards
FY24	TPF	Planning & Design (general)	\$300,066	\$0
FY24	TPF	Rehab. & Maintenance (general)	\$414,116	\$414,116
FY25	TPF	Planning & Design (general)	\$363,979	\$0
FY25	LGRF Coop	2nd Street	\$136,797	\$136,797
FY25	LGRF MAP	2nd Street	\$539,525	\$0
FY26	LGRF Coop	2nd Street	\$139,433	\$139,433
FY26	TPF	Planning & Design (general)	\$424,501	\$424,501
Total			\$2,318,417	\$1,114,847

Source: LFC Files

Planning Organization provides District 2 grantees with contract engineering support and professional cost estimates during the application process. This support helps applicants submit accurate budgets and prepare projects so that spending can begin within three months from receiving the executed project agreement. In contrast, all other districts had completion rates below 50 percents with varying levels of coordination with their respective planning organizations.

Funding sources affect transportation projects' requests for time extensions. TPF projects have a 30-month deadline, while LGRF projects have 24-month deadlines for the Municipal Arterial Program and 18-month deadlines for other LGRF programs. Extension availability varies by funding source: general fund appropriations to TPF face limited extension options similar to capital outlay awards, while state revenue for both LGRF and TPF provides more flexibility for additional time. NMDOT reports that weather-related delays are the most common reason TPF and LGRF awardees request time extensions. The department's project oversight division updates contracts when extensions are approved, while district coordinators track project progress.

CASE STUDY: Village of Milan

Phased funding may present challenges for project completion. Milan requested nearly \$16.7 million in transportation project fund (TPF) grants between FY19 and FY26, receiving \$9.4 million, or 56 percent of its requests. The village secured over \$4.3 million in two TPF awards for the multi-phase Airport Road reconstruction project. However, the Stanley Avenue and Bridge project, receiving \$2.9 million in FY24 for its first phase of planning and design, and was then denied a TPF award for the project's second phase for construction in FY25. The Stanley Avenue project's total cost estimate from its on-call engineer was \$7.2 million. While the \$1.4 million TPF award in FY26 has helped to close the financial gap, the project is still short \$2.9 million leaving the village without sufficient funds to complete the road leading to the bridge. Overall, the village of Milan has secured funding for six out of its nine TPF applications, while receiving no capital outlay appropriations for its road projects. The village contributes their TPF awards' successes to organized project management, maintaining clear deadlines for grants and construction projects and persistent reapplication, though this strategy requires the village to apply multiple times to secure necessary funding for project completion.

Town of Milan State Transportation Funds Requested & Awarded

Fiscal Year	Fund	Project	Request	Awards
FY19	TPF	Berryhill Street Drainage	\$517,106	\$0
FY19	TPF	Haystack Phase II	\$120,248	\$120,248
FY22	TPF	Airport Road	\$3,145,592	\$3,145,592
FY23	TPF	Airport Road Phase 3	\$1,135,250	\$1,135,250
FY23	TPF	Willow Drive	\$2,479,500	\$0
FY24	TPF	Stanley Ave. & Bridge	\$2,850,000	\$2,850,000
FY25	TPF	Stanley Ave. Phase II	\$4,328,753	\$0
FY25	TPF	Willow Drive Design	\$722,190	\$722,190
FY26	TPF	Stanley Av. Phase II	\$1,431,955	\$1,431,955
Total			\$16,730,594	\$9,405,235

Source: LFC Files

TPF funding for planning and design creates uncertainty for awardees because construction funding is not guaranteed in future grant cycles.

Phased construction works best when initial funding sources cannot cover full project costs, but future funding remains reliable. However, communities receiving TPF planning and design awards cannot predict whether construction phases will receive funding in subsequent grant cycles. The Santa Fe Metropolitan Planning Organization reported this uncertainty hampers member communities’ long-term planning efforts. The city of Santa Fe received three TPF awards in FY22 totaling \$1.9 million for planning and design on Bishops Lodge Road, Henry Lynch Road and Paseo del Sol reconstruction projects. NMDOT records show the city has not completed any of these planning and design projects and has not received TPF construction funding for them.

CASE STUDY: Town of Red River

The town of Red River’s short construction season illustrates how mountain weather conditions increase project costs and cause delays for small communities. The town of Red River, located in Taos County with 542 residents, sits on NM Highway 38 as part of the Enchanted Circle drive, a scenic highway maintained by NMDOT. Red River officials told LFC that winter weather limits road construction and reconstruction to a narrow window from late spring to early fall. This compressed construction season constrains the town’s procurement options. Low-quality bidders sometimes submit the only responses to the town’s solicitations for construction projects. Despite knowing these bids may result in delayed timelines and higher construction costs over time, time pressures force the town to accept them to complete work within the available season. These construction challenges lead Red River to frequently requesting time extensions from NMDOT on state-funded projects. The town also competes at a disadvantage with surrounding wealthier communities like Santa Fe and Los Alamos for contractors, labor, and materials. Red River officials suggest NMDOT could help by creating regional equipment-sharing models similar to mutual domestic water associations and by allocating funding to better balance rural and wealthy community needs rather than dividing it evenly across regions.

Low levels of state funding and project phasing have driven the High Street reconstruction costs from \$8 million to \$12 million, with the town receiving less than half the needed funding despite multiple grant applications. High Street runs parallel to Main Street and provides rear access to many town businesses and street facing access to lodges and vacation rentals. The street’s pavement continually erodes due to accumulated winter snow, the street’s rising elevation from east to west, and lack of drainage controls, curbs, and gutters. The town believes that full funding for the project in FY23, rather than phased or piecemeal funding, would have prevented cost escalation. Original estimates in FY23 for planning, design, and reconstruction with drainage improvements totaled \$8 million. Between FY21 and FY26, the town applied for \$12.4 million in combined funding from the state’s LGRF program and TPF but has received only \$5.8 million or 47 percent of its requests. The awarded funds represent less than half the current \$12 million estimate. The town continues applying for state funds while pursuing completion of all street construction. The town’s long-term goal is to transition from project management of road construction projects to maintenance-only operations.

Town of Red River’s High Street Project: State Funds Requested & Awarded

Fiscal Year	Fund	Project	Request	Awards
FY21	LGRF Coop	High Street improvements	\$60,000	\$60,000
FY21	LGRF MAP	High Street improvements	\$615,000	\$160,000
FY22	LGRF Coop	High Street improvements	\$56,875	\$56,875
FY22	LGRF MAP	High Street improvements	\$615,375	\$93,333
FY23	LGRF Coop	High Street improvements	\$55,199	\$55,199
FY23	LGRF MAP	High Street improvements	\$6,225,000	\$116,640
FY23	TPF	High Street planning, design, & construction w/ drainage & utility improvements	\$7,600,000	\$0
FY24	TPF	High Street final design & construction w/ drainage improvements	\$2,375,000	\$2,375,000
FY25	TPF	High Street preliminary engineering/design & construction w/ drainage improvements	\$2,375,000	\$0
FY26	TPF	High Street preliminary engineering/design & construction w/ drainage improvements	\$2,850,000	\$2,850,000
Total			\$12,350,000	\$5,767,047

Source: LFC Files

Phased project construction increases total project costs. While phased construction reduces upfront costs, construction delays between phases can cause total costs to rise as material prices and labor rates increase during the

gap periods. The town of Red River reported piecemeal funding of its High Street reconstruction project led to unplanned phasing resulting in the project's costs increasing from \$8 million to \$12 million. Town officials originally requested full funding to complete their three-block High Street project but instead received piecemeal funding from multiple sources, including TPF, the Community Development Block Grant program, and LGRF's municipal arterial program and cooperative program. The fragmented funding required the town to coordinate multiple grant awards within a narrow construction window. Red River's long winter season limits road and sidewalk construction to a short period, making continuous construction critical to avoid multi-year delays.

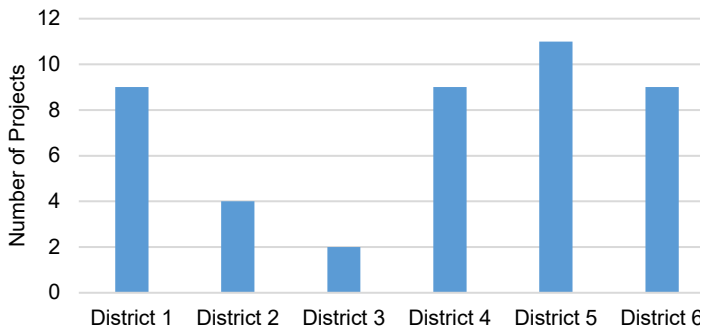
Limited statewide guidance on project phasing may be hindering communities from completing transportation projects and creates uncertainty in long-term planning. While NMDOT has some phasing procedures, such as local studies' guidelines, they may not be readily accessible. Planning organizations reported to LFC that the department

requires phasing for projects exceeding \$1 million. NMDOT noted it follows Federal Highway Administration phasing guidance, and planning organizations should also provide this guidance to communities. However, this approach results in inconsistent practices across districts. Planning organizations reported some district engineering offices provide phasing guidance to TPF applicants, while others do not. Planning organizations also reported repeatedly educating member communities about the importance of phasing to help projects receive funding, yet these requirements largely exist as informal practices rather than documented policy.

At a recent statewide roundtable of regional transportation planning organizations (RTPO) in Clovis, all attendees agreed NMDOT should establish consistent, statewide phasing guidance for TPF projects. Communities prefer applying for complete project funding rather than phase funding because they cannot predict whether future grant cycles will fund subsequent phases. Between FY19 and FY25, unplanned phased awards varied significantly across districts, with District 5 having the highest number at 11 projects, followed by Districts 1, 4, and 6 with nine projects each. District 2 had four unplanned phased projects, while District 3 had only two.

The variation on phasing reflects inconsistent regional guidance: District 1 and the Southeast RTPO (District 2) advise communities to phase large projects starting with planning and design, while the Northwest New Mexico RTPO (Districts 5 and 6) advises communities to submit all project phases together to ensure all costs are eligible. District 3 operates differently because the Mid-Region MPO does not participate in TPF project ranking. The district reviews cost estimates against an internal database of past projects and had the fewest unplanned phased awards.

Chart 11. Unplanned Phased TPF Projects by District, FY19 - FY25



Source: LFC Files

CASE STUDY: Village of Williamsburg

Williamsburg achieved a 94 percent success rate in its applications for state transportation funding. From FY19 to FY25, the village secured almost \$4 million in Transportation Project Fund (TPF) and Local Government Road Fund (LGRF) awards. The state funded six out of seven TPF applications during this period, awarding \$3,753,758 of the \$3,991,258 requested. The incorporated village has 462 residents and sits at the northern terminus of New Mexico Highway 187 in Sierra County, directly adjacent to Truth or Consequences. The village's proximity to Truth or Consequences has shaped Williamsburg into a residential suburb with few tax-generating businesses, limiting the village's capacity to fund transportation infrastructure independently. Williamsburg collaborates with both the Southcentral RTPO and NMDOT's District 1 office on transportation planning.

Williamsburg has labeled all projects as phased since FY23 following NMDOT District 1 advice, but this designation appears to signal funding needs rather than reflect deliberate project phasing. During an LFC-led focus group, Williamsburg's mayor reported that District 1 staff recommended the village use a phased approach for TPF projects. Since FY23, the village has labeled all its projects as phased. However, these projects list both design and construction within their scopes, suggesting the phased label signals to NMDOT that completion will require additional funding rather than indicating separate project stages. Before FY23, Williamsburg completed projects without phasing them. The village completed its Mona Avenue drainage improvements and erosion control project within the same fiscal year it received the \$1.1 million FY22 award. Of the five TPF projects funded from FY20 through FY25, Mona Avenue remains the only completed project.

Village of Williamsburg State Transportation Funds Requested and Awarded

Fiscal Year	Fund	Project	Request	Awards
FY19	LGRF Coop	Ridge Rd.	\$31,705	\$31,705
FY20	TPF	Ridgeway Rd. drainage, sidewalks, ADA	\$237,500	\$0
FY22	TPF	Mona Ave. drainage & erosion control	\$1,065,629	\$1,065,629
FY22	LGRF Coop	Doris Ave.	\$74,000	\$74,000
FY23	TPF	Rio Grande Ave. Phase II design & construction	\$764,311	\$764,311
FY24	TPF	Veater St. Phase II design & construction	\$1,045,000	\$1,045,000
FY25	TPF	W. Riverside Lane Phase III design & construction	\$804,818	\$804,818
Total			\$3,991,258	\$3,753,758

Source: LFC Files

TPF's nine to 10-month application timeline can lead to cost escalations and unplanned construction phasing. Although NMDOT designed TPF grants to fund complete projects or functional phases, the extended period between application and project start can drive construction bids above initial cost estimates. NMDOT expects applicants to include contingencies in their initial estimates to account for this timeline, however this practice may not be consistent across all communities. NMDOT issues the call for projects in January with applications due in late May, allowing time for regional planning organization review. Between June and August, NMDOT reviews applications and prepares recommendations for State Transportation Commission approval in September. The project oversight division then has 60 days to issue grant agreements and receive signed agreements from grantees.

Increasing consistency in administration across districts could improve NMDOT's grant programs

Inconsistent district review processes undermine the transparency and fairness of TPF project selection. While NMDOT's call for project letter outlines uniform application processes that all districts must follow, the six engineering districts operate with varying project review processes. Some districts incorporate the ranked lists from the planning organizations into their final recommendations to the cabinet secretary, while others bypass planning organizations entirely. Some districts coordinate review processes with planning organizations, including providing initial reviews of preliminary applications in partnership with them, while others do not. This inconsistency creates regional disparities in how applicants experience the funding process.

District engineers can override planning organizations' priorities, which may either strengthen or weaken project selection. District offices review proposed TPF applications' cost estimates and project scopes, then provide their priority lists to the cabinet secretary based on project evaluation criteria. However, department guidelines specify that district engineers will not perform in-depth analysis of a project's scope, cost estimates, functionality, project phasing, scheduling, or overall constructability, leaving the applicants and the planning organizations responsible for this level of due diligence.

District technical reviews can benefit applicants, particularly smaller entities without engineering staff. NMDOT noted that discussion between district staff and local government often result in applicants updating their scopes or funding requests, helping communities request projects more accurately. For example, districts with historical knowledge of construction estimates can better confirm whether an applicant's cost estimate will complete the proposed scope of work. However, when district engineers reprioritize projects after receiving ranked lists from regional transportation and metropolitan planning organizations (RTPOs and MPOs) without clear explanation, this practice can erode trust with the planning organizations and the communities.

CASE STUDY: City of Santa Rosa

The city of Santa Rosa's four-year effort to secure funding for the reconstruction of 5th Street demonstrates the gap between regional transportation planning priorities and state funding decisions. Santa Rosa, the Guadalupe county seat with 2,850 residents, sits at the intersection of Interstate 40 and U.S. Route 54. The 5th Street project, located in the city's downtown adjacent to city hall and county offices, has appeared on District 4's Regional Transportation Improvement Program Recommendations (RTIPR) since FY23. Regional Transportation Planning Organizations (RTPOs) update this prioritized list of transportation projects annually. Santa Rosa has followed established procedures by working with the Northeast RTPO, securing the project's listing on the RTIPR, presenting the project to District 4 engineers, and submitting TPF applications in FY22, FY24, and FY25. Despite the project's consistent regional prioritization, NMDOT District 4 did not recommend the project for funding until FY26, when the city received a \$1.2 million TPF award. During the four-year delay, street conditions deteriorated, however the delayed time allowed the town to further refine the project's scope. For example, initial rough estimates were based on just the length of the street, but starting in FY24 the town was able to quantify the exact linear feet of the project and specify that the project also included sidewalks, curbs and gutter. With more refined estimates, the city increased their TPF request in FY24 but then later decreased the requested amount in FY26. The city has not applied for LGRF for this project, nor has any capital outlay been appropriated to it. The city speculated that final project costs may increase when the city solicits bids on the project.

City of Santa Rosa's 5th Street Project: State Funds Requested & Awarded

Fiscal Year	Fund	Project	Request	Awards
FY22	TPF	5th Street reconstruction	\$1,955,715	\$0
FY24	TPF	5th Street reconstruction	\$2,277,066	\$0
FY25	TPF	5th Street reconstruction	\$1,192,404	\$0
FY26	TPF	5th Street reconstruction	\$1,184,639	\$1,184,639
Total			\$6,609,824	\$1,184,639

Source: LFC Files

Inconsistent district procedures for the reviewing and vetting of TPF applications prevent planning organizations from effectively prioritizing regional transportation needs. Districts 1, 2, and 5 collaborate with their respective planning organizations, collaboratively scoring, ranking and prioritizing projects for submission to the cabinet secretary. District 5 works with the Northern Pueblos Regional Transportation Planning Organization to

conduct peer reviews and submit unified ranked lists, enabling collaborative refinement of applications and consensus on priorities. District 2’s Southeast RTPO provides contract engineering support including cost estimates, which may explain the district’s high completion rate. In contrast, District 3 operates differently because the Mid-Region MPO does not rank projects. Instead, the district accepts applications directly from communities and vets them through technical feasibility analyses using an internal database from previous projects. District 4 accepts applications from its corresponding planning organizations but does not incorporate their rating, ranking, and prioritization processes into final recommendations.

Districts that limit planning organization engagement experienced higher TPF funding shortfalls than districts with collaborative relationships. In FY23, funding shortfalls across all districts totaled \$13.1 million, representing the difference between awarded funds and actual project completion costs. District 4 recorded the highest shortfall at \$5.2 million, while District 5 recorded the lowest at \$836.7 thousand, a difference of \$4.4 million. District 3 recorded the second highest shortfall at \$2.2 million, and District 2 recorded the second lowest at \$1 million. Districts 4 and 3, which experienced the highest shortfalls, both maintain minimal interaction with their partner planning organizations. District 4 limits Northeast RTPO to administrative support, while District 3 oversees TPF applications without planning organization involvement and reviews cost estimates against an internal database without providing additional technical assistance. District 5, with the lowest shortfall, collaborates closely with Northern Pueblos RTPO on peer reviews, unified project rankings, and assistance with project budgets for communities needing extra support. District 2, with the second lowest shortfall, partners with Southeast RTPO, which provides contract engineering support and professional cost estimates for member communities. Other factors such as regional construction costs, project complexity or delays between cost estimation and construction bids may also influence shortfall amounts.

Table 4. FY23 TPF Shortfalls by NMDOT Districts and Planning Organization Collaboration

District	TPF Shortfall	Regional Planning Organization	Collaboration Level
District 4	\$5,254,746	Eastern Plains COG	Limited (Admin)
District 3	\$2,182,000	Mid-Region MPO	None
District 1	\$1,920,867	South Central RTPO	Collaborative
District 6	\$1,846,300	NW RTPO/MR RTPO	Collaborative
District 2	\$1,037,739	SE RTPO/EP COG	Collaborative
District 5	\$836,700	N. Pueblos/NW RTPOs	Collaborative
TOTAL	\$13,078,352		

Source: LFC Files

Small communities struggle with technical expertise, contractor procurement and administrative capacity.

Some local public agencies and tribes face capacity constraints due to limited technical expertise, small administrations, late audits, high staff turnover, and reduced institutional knowledge, affecting their ability to expend state funds and complete projects on time and within budget.

A shortage of certified public accountants in southwestern New Mexico may be preventing local entities from completing required audits and accessing state transportation funding. An LFC analysis of 16 local governments in Hidalgo, Luna, Grant, and Catron counties found that four

entities—two counties, one municipality, and one school district—had not completed FY24 audits due to lack of CPA access, according to the Southwest Regional Transportation Planning Organization. Executive Order 2013-006 required grantees of state capital outlay appropriations to submit annual audit reports free of “material weaknesses” or “significant deficiencies” to access grants. Legislation enacted in 2025 relaxed these requirements so that entities now need to complete only one of their past two required audits to access grants. The auditor shortage may stem from a 36 percent decline in independent public accountants statewide, dropping from 76 practitioners in 2013 to 49 in 2025. When agencies cannot secure private auditing services, state statute requires the state auditor’s office to conduct these audits, but this office lacks sufficient resources to complete audits promptly. Late audit submissions increased 20 percent between FY22 and FY23. Local agencies that submit late audits or fail to meet audit requirements risk becoming ineligible for state transportation funding.

Small rural entities experience contractor procurement challenges that state price agreements could help address. Nearly all small rural entities struggle with both securing bids and ensuring contractor quality. According to the village of Milan, contractors label projects under \$700 thousand as small and often do not respond to bid requests below this threshold. State law permits local public bodies to utilize statewide price agreements when language on the agreement indicates local public body usage is allowed. New Mexico’s state price agreement program currently caps construction projects at \$4 million including gross receipts tax with a total aggregate value limit of \$12.5 million over three years. LFC’s recent analysis of 2025 legislation to increase the aggregate value for construction contracts to \$30 million noted that construction cost increases have limited agencies’ ability to take advantage of price agreements for construction projects. The Procurement Services Division within NMDOT establishes price agreements and contracts for the department’s general office and districts but does not assist local public agencies or tribes with the price agreement process.

Regional transportation and metropolitan planning organizations could expand their roles to provide procurement technical assistance. Regional and metropolitan planning organizations currently limit their assistance to facilitating committee meetings, assisting communities with project development and funding applications, and creating long-range transportation plans. The Northwest New Mexico Rural Transportation Planning Organization commented that technical assistance to small communities should be expanded, suggesting planning organizations could provide procurement support to address contractor access challenges for small rural projects. However, RTPOs’ offerings in New Mexico and elsewhere around the country remain limited to the planning and fund development of transportation projects.

Two existing programs offer models for expanded technical assistance. The New Mexico Local Technical Assistance Program supports local and tribal agencies with tools to improve their transportation operations and could potentially provide procurement technical assistance. The National Rural Transit Assistance Program, under the Federal Transit Administration, offers procurement support and training to rural and tribal transit operators throughout the country. A similar training program for rural and tribal entities

constructing local road projects would help them navigate state price agreements, prepare bid documents and secure qualified contractors.

Small communities often lack the technical capacity to compete for TPF funding and complete projects. Engineering capacity varies across local public agencies and tribes, with some entities lacking staff or on-call engineers entirely. Some entities budget for engineering assistance through grants. Well-funded jurisdictions maintain road or public works departments with full-time engineering staff who identify surface transportation needs, complete transportation grant applications, and serve as project managers on funded projects. Interviewees reported to LFC that engineers estimate total costs for larger projects, while smaller projects may receive informal cost estimates or cost guesses. The Southeast RTPO used a capacity building grant from DFA to hire an engineer who provides certified cost estimates to assist small, under-resourced communities with TPF applications. This approach demonstrates how targeted technical assistance can help smaller communities overcome capacity barriers.

Distribution of State Road User Revenues

Jan 2026 Forecast

(\$ Millions)

% of total (FY 2025)



Gasoline Tax
(17.0 cents / gallon)

- 5.76% to County Government Road Fund
- 0.13% to Motorboat Fuel Tax Fund
- 0.26% to State Aviation Fund
- 10.38% to Municipalities and Counties
- **76.27% to State Road Fund - (~13 cents per gallon)**
- 5.76% to Municipalities
- 1.44% to Municipal Arterial Program (MAP - Local Governments Road Fund)

2024	2025	2026	2027
8.7	8.9	8.9	9.0
0.2	0.2	0.2	0.2
0.4	0.4	0.4	0.4
15.7	16.0	16.0	16.1
110.1	112.7	112.9	114.0
8.7	8.9	8.9	9.0
2.2	2.2	2.3	2.2

Road Fund
20.3%



Special Fuel (Diesel) Tax
(21.0 cents/gallon -- effective 7/1/2004)

- **90.48% to State Road Fund - (19 cents per gallon)**
- 9.52% to Local Governments Road Fund

125.7	135.1	135.2	135.5
12.9	14.1	14.2	14.3

24.3%

Petroleum Products Loading Fee
(1.875 cents/gallon)

- 26.67% to Local Governments Road Fund
- 73.33% to Corrective Action Fund (NM Environment Department)

0.8	7.9	7.9	7.9
2.1	21.6	21.6	21.7



Weight Distance Tax (1¢-4¢/mile)
Trip Tax (7¢-16¢/mile)
Oversize / Overweight Fees

- **100% to State Road Fund**
- **100% to State Road Fund**
- **100% to State Road Fund**

104.9	106.0	107.1	108.0
7.8	6.8	6.8	6.8
8.1	9.9	9.3	9.3

19.1%
1.2%
1.8%

Motor Trans. Regulatory Fees

- **100% to State Road Fund**

3.4	2.7	3.3	3.3
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0.5%



Vehicle Registration Fees
(\$21-\$172/year)

A similar distribution applies to many **Miscellaneous Motor Vehicle Fees** (but only Vehicle Registration Fee revenue amounts are shown in revenue table)

- = 50 cents on Each Registration to Beautification Fund
- = \$7.00 of each Motorcycle Registration to Motorcycle Training Fund
- = \$2.00 of each Motorcycle Registration to the Taxation & Revenue Department
- = 100% of Placard Fees to Taxation and Revenue Department
- = 100% of Traffic Safety Training Fee (from Penalty Assessments) and Amateur Radio Fees to State Road Fund
- = Tire Recycling Fee (effective 7/1/2003):
 - \$ 1.00 Each Motorcycle → 50% to Highway Infrastructure Fund
 - \$ 0.50 per wheel of each bus → 50% to Tire Recycling Fund
 - \$ 1.50 each car or light truck → \$1.00 to Highway Infrastructure Fund
 - \$ 1.50 each heavy truck → \$0.50 to Tire Recycling Fund

Effective March 1, 2004 remaining revenues go to:

- **74.65% to State Road Fund**
- 7.60% to County General Funds (allocated by registration fees on vehicles in each county)
- 7.60% to County Road Funds (allocated by miles of public roads maintained)
- 4.06% to Municipal Street Funds (allocated by property tax net taxable value)
- 6.09% to County and Municipal General Funds (allocated by property tax amounts due)

87.2	88.7	92.1	93.8
8.9	9.0	9.4	9.5
8.9	9.0	9.4	9.5
4.7	4.8	5.0	5.1
7.1	7.2	7.5	7.7

16.0%

Motor Vehicle Excise Tax

- = **21.86% to State Road Fund beginning in FY22 (it was 3.11 % in FY19 - FY21)**
- = 18.75% to Transportation Project Fund beginning in FY22
- = 59.39% to State General Fund beginning in FY22 (it was 71.89% in FY20 & FY21)

61.3	63.8	61.2	63.0
52.5	54.7	52.5	54.1
166.4	173.3	166.3	171.2

11.5%

Transaction Fees
(\$3 per Title or Registration)

- \$5 or \$6 to Municipal, County or Fee AGENTS
- *Remaining revenues from Transaction Fees go to:*
- **50% to State Road Fund**
- 50% to County Road Fund (allocated by miles of public roads maintained)

1.1	1.1	1.2	1.1
1.1	1.1	1.2	1.1

0.2%

Driver License Fees
(\$10 per 4 year period + \$3 EDL + \$3 Driver Safety)

- = \$6 or \$7 per License to Municipal, County or Fee Agents
- = **100% of Remaining Drivers License Fee to State Road Fund**
- = 100% Limited License Fees to DWI Prevention and Education Fund
- = 100% DWI Reinstatement Fees and remainder of ID Cards to Local Gov. Road Fund
- = 100% Enhanced Drivers License Fee (\$3) to Taxation & Revenue Department
- = 100% Driver Safety Fee (\$3) to public schools for DWI education

4.4	5.5	4.9	4.9
0.4	0.5	0.5	0.5
0.8	0.8	0.8	0.8
2.1	2.4	*	*
1.6	2.0	*	*

1.0%

* no estimates available

Total Local Governments Road Fund and Transportation Project Fund
Total Amount Distributed to Local Governments & other Recipients

82.9	85.9	85.0	85.8
236.6	264.9	254.6	260.5

Total of Gasoline, Diesel, W/D & Registrations NMDOT

427.9	442.5	447.3	451.3
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79.7%

Total State Road Fund Revenues

549.4	555.5	562.2	567.3
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100.0%

Total NMDOT Recurring (1) State Revenues

656.9	665.2	670.8	676.7
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NA

(1) Total NMDOT Recurring Revenue excludes MV Excise Revenue to DOT District 2 in FY21 (60.2)