F I S C A L   I M P A C T   R E P O R T

SPONSOR Silva **DATE TYPED** 2/10/05 **HB** 4/aHTC

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

ANALYST Moser

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	723,758.9			Recurring	State Road Fund, Local Gvt. RF, Aviation, Transportation, and Federal

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates appropriation in the General Appropriation Act, Section 4 for the NMDOT
Duplicates/Conflicts with/Companion to/Relates to * HB2, HB7, SB190

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	$315,491.7		Recurring	Federal
	$408,267.2		Recurring	Other State Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to *
All GENERAL APPROPRIATIONS ACTS: HB 7 & HB 2

SOURCES OF INFORMATION

- *Report of the Legislative Finance Committee to the Forty-seventh Legislature*, First Session, January 2005 for Fiscal Year 2005 – 2006, Volume II, pp. 306 - 310.
- *Road Fund Outlook, January 2005, NM Department of Transportation*

Responses Received From
NM Department of Transportation (NMDOT)

SUMMARY

Synopsis of Bill

Amended House Bill 4 is the HTC approved appropriation bill that funds the New Mexico Department of Transportation (NMDOT). The bill appropriates $723,758.9 to NMDOT for FY06 among three (3) programs and four (4) budget categories. The reduction from the original request of $730,428.2 is due to the fact that the State Infrastructure Bank revenue of $6,669.3 included in the FY06 Budget request was budgeted in December FY05 through an approved BAR, and therefore has been reduced from the Agency budget for FY06.

Significant Issues

Revenue increases to the State Road Fund for FY06 are $13,520.0 million higher than the FY05 Appropriation. The Agency request, Executive recommendation, LFC recommendation and House Transportation Committee recommendation (amended HB4) take this revenue increase into account. The Executive recommendation moves $6,775.8 million of state and federal funds for FY06 IT projects out of the base budget. The Amendment recognizes this amount within the departments proposed operating budget.

The department revises revenue estimates in August of each year for purposes of budget preparation, and again in December or January of each year for purposes of legislative deliberations. The revenue estimates presented here have been reviewed and agreed to by members of the state's Consensus Revenue Forecasting group. The following is the revenue estimate of the NMDOT.

Table 1 shows the estimated and actual state revenues for FY04, and the January 2005 forecast of state revenues for Fiscal Year 2005 and Fiscal Year 2006. The fiscal year "Growth Amount" amounts reflect year-over-year growth, with the FY06 "growth" being growth over the FY05 Budget Estimate. The column marked "Estimate Revision" for the current fiscal year (FY05) refers to the changes between the "Budget Estimate" used during the 2004 Legislative Session and the latest revised estimate.

In addition to the (State) Road Fund, the department projects state-sourced revenues for the Highway Infrastructure Fund, the Local Governments Road Fund, the Aviation Fund, and the Transportation Program Fund.

Table 1
FY05 and FY06 Revenue Estimates
(Dollars in Thousands)

Road Fund:	FY04 Estimate	FY04 Actual	FY04 Growth Amount	FY05 Budget Estimate	FY05 Jan-05 Estimate	FY05 Estimate Revision	FY05 Growth Amount	FY06 Jan-05 Estimate	FY06 Growth Amount
Unrestricted Revenues									
Ordinary Income:									
Gasoline Tax	110,489	112,107	1,642	111,523	112,583	1,060	476	116,802	5,279
Special Fuel Tax	71,473	74,546	5,069	88,043	91,100	3,057	16,554	93,500	5,457
Weight/Distance	52,000	51,574	180	74,796	73,430	-1,366	21,856	77,720	2,924
Trip Tax	4,000	4,050	-298	4,000	4,000	0	-50	4,000	0
Vehicle Registration	54,127	52,996	9,003	68,283	65,027	-3,256	12,031	67,315	-968
Vehicle Transaction	1,150	1,132	16	1,130	1,143	13	11	1,155	25
Driver's License	3,700	4,238	-304	3,756	4,270	514	32	4,300	544
Oversize/Overweight	1,200	1,157	17	4,000	4,000	0	2,843	4,000	0
Public Regulatory Commission Fees	3,400	3,298	-93	3,400	3,200	-200	-98	3,300	-100
Penalty Assessments (Reinstatement Fees)	1,150	1,085	-53	1,150	1,100	-50	15	1,100	-50
MVD Miscellaneous	1,000	923	-74	1,000	950	-50	27	1,000	0
Subtotal Ordinary Income	**303,690**	**307,107**	**15,106**	**361,081**	**360,803**	**-278**	**53,696**	**374,192**	**13,111**
Extraordinary Income:									
Asset Sales	1,000	1,000	220	1,000	1,000	0	0	1,000	0
Equipment Buy-back Program		259	259		257	257	-2	539	539
"Logo" Signage Revenue		0	0		700	700	700	700	700
Other Revenue	2,500	2,500	-3,019	2,500	1000	-1,500	-1,500	1,000	-1,500
Road Fund Interest	483	395	-114	652	779	127	384	1,322	670
Subtotal Extraordinary Income	**3,983**	**4,154**	**-2,654**	**4,152**	**3,736**	**-416**	**-418**	**4,561**	**409**
Total Road Fund (Unrestricted Revenues)	**307,673**	**311,261**	**12,452**	**365,233**	**364,539**	**-694**	**53,278**	**378,753**	**13,520**
Other Funds:									
Highway Infrastructure Fund:									
Leased Vehicle Gross Receipts	4,700	4,536	71	4,850	4,700	-150	164	4,960	110
Tire Recycling Fees	1,850	1,421	-258	1,860	1,860	0	439	1,900	40
Interest	82	64	-51	111	125	14	61	213	102
Total Highway Infrastructure Fund	**6,632**	**6,021**	**-238**	**6,821**	**6,685**	**-136**	**664**	**7,073**	**252**
State Infrastructure Bank	**198**	**181**	**-27**	**267**	**294**	**27**	**113**	**214**	**-53**
Local Government Road Fund:									
From Interest	156	179	14	211	352	141	173	598	387
From Special Fuel	8,894	9,268	627	9,230	9,551	321	283	9,804	574
From PPL Fee	6,442	6,615	247	6,567	6,845	278	230	7,076	509
From DWI reinstatement fees & ID cards	1,100	1,123	23	1,100	1,100	0	-23	1,100	0
From Gasoline Tax (MAP)	2,086	2,133	47	2,106	2,207	101	74	2,290	184
Leased Vehicle Gross Receipts	1,568	1,512	24	1,617	1,557	-60	45	1,653	36
Total Local Government Road Fund Income	**20,246**	**20,829**	**982**	**20,831**	**21,612**	**781**	**783**	**22,521**	**1,690**
Aviation Fund:									
Gas Taxes (Aviation)	377	385	9	380	398	18	13	413	33
Aviation Jet Fuel	770	1,425	1,019	575	1,228	653	-197	1,095	520
Aircraft License Fees	70	76	6	70	77	7	1	80	10
0.046% of General Fund GRT (Aviation)	646	641	40	676	676	0	35	706	30
Total Aviation Fund Income	**1,863**	**2,527**	**1,074**	**1,701**	**2,379**	**678**	**-148**	**2,294**	**593**
Transportation Fund:									
Motorcycle Registration (Fund 8)	64	72	9	65	72	7	0	73	8
Motorcycle Training Fund Interest (Fund 8)	2	2	0	3	3	0	1	5	2
Driver Improvement Fees (Fund 9)	183	154	-26	183	160	-23	6	160	-23
DWI Prevention (Fund 10)	87	130	81	48	130	82	0	130	82
Traffic Safety Fees (Fund 5)	928	845	-60	921	900	-21	55	900	-21

Road Fund:	FY04 Estimate	FY04 Actual	FY04 Growth Amount	FY05 Budget Estimate	FY05 Jan-05 Estimate	FY05 Estimate Revision	FY05 Growth Amount	FY06 Jan-05 Estimate	FY06 Growth Amount
Traffic Safety Fees Interest (Fund 5)	15	18	2	20	35	15	17	60	40
Community DWI Prevention Fee (Fund 5)	750	721	-22	750	750	0	29	750	0
Total Transportation Fund Income	**2,029**	**1,941**	**-16**	**1,990**	**2,050**	**60**	**109**	**2,078**	**88**
TOTAL STATE REVENUES	**338,641**	**342,760**	**14,227**	**396,843**	**397,559**	**716**	**54,799**	**412,933**	**16,090**

Road Fund

Included in the Road Fund are unrestricted and restricted revenues. Restricted revenues are for a special purpose; they are typically earmarked funds for special purposes (like the Aviation Fund), or bond proceeds and the interest accruing from the proceeds. Unrestricted revenues support the bulk of the activities associated with the state highway system and, therefore, receive the most scrutiny during the budget and appropriation process.

One particularly relevant figure to note for Road Fund income is the annual change in unrestricted revenues. The “Growth Amount” for FY05 is forecast at $53.7 million, and FY06 is forecast at $13.1 million. This level of growth in FY05 reflects the revenue enhancements associated with HB-15 (2003 Special Session) and SB-114 (2004 Regular Session) rather than any unusually strong economic indicators.

Gasoline Taxes – Gasoline Tax revenue for FY04 was stronger than forecast, primarily as a result of implementation of the Nambe Pueblo “gasoline tax sharing agreement” in the latter half of the year, and gradually improving economic conditions. The large revision to the forecast for FY05 reflects changes in two offsetting factors: 1) implementation of the Santo Domingo Pueblo “gasoline tax sharing agreement” (2004 legislation – SB-114) and the full year impact of the Nambe Pueblo agreement; and, 2) a weaker demand for gasoline associated with increased retail prices. For FY06, a gradually improving economy and more stable gasoline prices, along with a more stabilized pattern of Native American gasoline sales should result in fairly strong growth in the gasoline tax revenue.

Motor Carrier Taxes – In FY04, Special Fuels Tax again showed surprising strength, exhibiting a growth rate of +7.2% on top of the prior year +5.8% growth. Weight-Distance Tax, however, continued its level trend with growth of +0.4% on top of last year’s +1% increase. As expected, recent trends in motor carrier revenues have strengthened somewhat, following the weakness in FY02 and FY01. FY02 saw about a -2% decline in Special Fuels Tax and no growth in Weight-Distance Tax, following significant declines in both these revenue sources in FY01. The decline in Weight-Distance Tax in FY01 was attributable to the outright loss of the Annual Filing Fee (cab card fee) as a result of the C.R. England Trucking lawsuit.

Recent declines in Trip Tax appear to have finally stabilized, with the tax bottoming-out at about the $4 million per year level. The four-year pattern of decline was associated with the C.R. England lawsuit, and the Tax Department’s response of issuing free cab cards that could legitimately be xerox copied. Truckers with cab cards (aka: tax qualification cards or tax identification permits) are not subject to the higher tax rate associated with the Trip Tax, but instead are supposed to file Special Fuels and Weight-Distance tax returns. The Trip Tax declined from a level of $9.7 million in FY99 and FY00 to a mere $4.05 million in FY04.

One of the provisions of HB-15 (2003 Special Session) is to require vehicle-specific weight distance tax identification permits that are expected to enhance Trip Tax collections, and eventually enhance weight distance tax compliance. No amount of revenue attributable to enhanced compliance has been included in this revenue estimate, due to uncertainty regarding the ultimate effects of the vehicle-specific tax identification permit.

<u>Motor Vehicle Division Fees</u> - Motor Vehicle Registration Fees were about $9 million above the prior year in FY04, yet came in about $1 million below estimate. The significant increases in projected revenues in FY04 and FY05 were the result of the revenue enhancements provided in HB-15 (2003 Special Session) that became effective on March 1, 2004. Presumably the reason FY04 revenue fell slightly short of the estimate is that a number of vehicle owners, faced with an unexpected increase in their registration fees, may have chosen to forego the two-year registration option. There has been some anecdotal evidence to that effect, and this may tend to bolster FY05 revenue since FY05 was expected to be a weaker year in the recent two-year up-and-down cycle.

Driver License Fees were expected to decline dramatically in FY04 as we entered the fifth year of the program allowing an 8-year driver license option. Over the prior four years, Driver License Fee revenue had been approximately 25% to 30% higher than it had been historically, as a result of the doubled fee associated with 8-year licensing periods. FY04 revenue came in about $538 thousand stronger than expected, so the impact of this "fifth-year" affect was only about one-third to one-half of the expected negative impact.

<u>Interest Earnings</u> – The estimates for interest earnings on fund balances have been raised significantly to reflect a forecast of gradually increasing interest rates during FY05 and FY06.
<u>Risks to the Forecast</u> – A request for a class action presumably is continuing in State District Court (*U.S. XPRESS v. New Mexico*), requesting refunds of the unconstitutional cab card fee be paid to all commercial carriers who had paid the fee. The case was dismissed without prejudice, and then re-filed by the plaintiff. At risk is the immediate payment of two or three years worth of refunds amounting to about $3.3 million to $3.5 million per year (i.e., $7 million to $10 million total). It is assumed that in the absence of a class action lawsuit, most commercial carriers would not bother to file for the $5 per year refund, so revenue losses would otherwise be negligible.

The prior law cab card fee was challenged in the C.R. England Trucking lawsuit in 2000, and the Taxation & Revenue Department agreed to cease collecting the fees associated with the cards beginning in calendar year 2001. HB-15 (2003 Special Session) repealed the old law, and requires a new vehicle-specific weight distance tax identification permit for which an appropriate administrative fee may be charged by TRD (the fee has been set at $2 per card). It is believed the new law would withstand a challenge on constitutional grounds since it is strictly an administrative fee rather than a non-apportioned tax, but the industry has threatened to challenge the new law. Industry's main concern may actually be the logistics of dispersing vehicle-specific cab cards to their vehicles.
<u>Aviation Fund</u> – Surprising strength in FY05 revenue from aviation jet fuel is the result of higher fuel prices, and considerable adjustments to estimates of the recurring tax base as a result of taxpayer reporting problems. A large taxpayer failed to consistently report tax during FY03 and got caught-up early in FY04. While it has been difficult to attribute FY04 revenue back to the

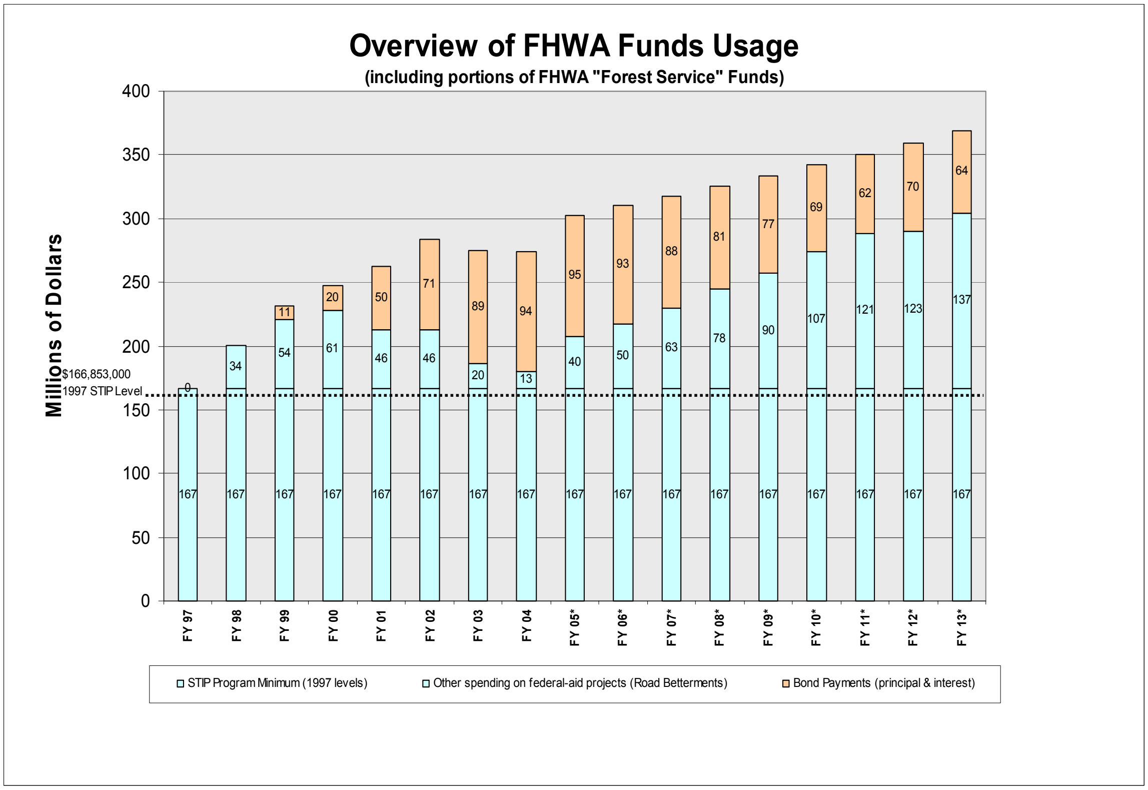
proper time frame, it does appear that the increase in the jet fuel deduction passed during the 2003 Legislative Session has had a considerable positive impact on the volumes of jet fuel sold in the state. The FY06 forecast includes the expectation of continued high volumes but a decline in fuel prices.

Traffic Safety Fees – In recent months there was a surprising strength in revenue from certain limited driver license fees dedicated to the DWI Prevention and Education Programs in the public schools. It is assumed the revenue strength is associated with applications for the new "ignition interlock license", although Motor Vehicle Division personnel are unable to confirm that hypothesis. The increased revenue in FY04 appears to be more than a few month phenomenon associated with older DWI license revocations.

Highway Infrastructure Fund – A disturbing trend in Tire Recycling Fees was discovered in the spring of 2004, and it was subsequently discovered that, after increasing the fee in July 2003 as a result of 2003 Session HB-25, the distributed revenue amount inexplicably reverted to its prior level during the months of January through June 2004. Upon finding the error, the Motor Vehicle Division corrected the distributed revenue amounts with a one-time distribution adjustment in October 2004. The forecast for the Highway Infrastructure Fund shows the normal monthly levels of fee disbursements for FY05, as if the one-time adjustment had been booked back to FY04 (adjusting the FY04 closing fund balances).

SAFETEA Funds Outlook. The federal transportation bill establishes the level of federal funding for New Mexico for a six year period. In 2004, Congress was expected to, but did not, reauthorize the Transportation Equity Act for the 21st Century (TEA-21). The latest extension of TEA-21 through March 2005 continues federal surfacing programs at funding levels equivalent to the previous fiscal year. At the center of the debate are issues regarding the overall size of the program over the next five years, the source of funds, and the relative "rate of return" to states that pay larger and smaller shares of motor fuel taxes. Programmatically all the bills emphasize safety programs, environmental streamlining, and a new infrastructure performance and maintenance program, which targets quick projects to address highway condition and congestion.

Neither house of Congress has identified any new revenue sources to fund the incremental growth of the program. The administration and the house leadership are opposed to any increase in fuel taxes, and no other funding mechanism to provide a sufficient increase has been indicated. It appears that funding formulas for distribution of funds among the states would remain approximately the same as in TEA-21. Each year, based on the federal formulae, $167 million of federal funds are allocated to New Mexico to fund the statewide transportation improvement plan (STIP), called "road betterments." Based upon the formulae the department projects flat funding for this activity from the six-year reauthorization process. The remaining funds from this distribution are used for bond payment activity as determined by Governor Richardson's Investment Partnership (GRIP). As more federal funds become obligated, greater pressure is placed on the state road fund for not only operating costs but also to augment construction expenditures, to include principal and interest payments. This trend impacts upon legislative approval authority.



MTD Tax Cards Reinstated. Motor Vehicle Transportation (MTD) estimates the trucking industry has been underreporting its taxable activity within the state by around $7 million per year. Weight-distance tax permits and revenue were flat from 2000 to 2004 and port of entry revenue decreased by 54 percent even though heavy commercial daily vehicle miles traveled through New Mexico increased by 19 percent from 2000 to 2003. With weight-distance accounts up and truck miles traveled up, the state should expect to see trip-tax revenues drop and weight-distance tax increase. Also during this timeframe, the average number of "zero returns," [weight-distance tax accounts that reported no miles traveled within New Mexico,] was 13,000. Before the elimination of the tax ID card, the Taxation and Revenue Department (TRD) had fewer than 500 "zero returns" filed each quarter.

The NM tax identification permits, suspended from December 2000 to July 2004 in response to a legal challenge, are again being issued for individual commercial vehicles. Since July 2004, TRD has issued 425,563 NM tax identification permits. Along with the reinstating of the NM tax identification permits, a system is being created to capture information for auditing purposes. MTD estimates weight distance tax revenue will increase by $1.8 million between 2004 and 2005 with the use of the NM tax identification permits.

Also, in *Moving New Mexico Further Along*, the administration highlighted increasing fines for commercial vehicle violations. The committee supports the recommendation, which will positively impact the Taxation and Revenue Department with an increase in revenues estimated at around $1 million.

GRIP Implementation and Project Planning. During the 2003 special session, the Legislature increased transportation-related taxes and fees to support the state road fund and authorized

$1.585 billion of bonds issuance to fund 37 transportation projects, including a commuter rail in the Interstate 25 corridor, over an eight-year period. Debt service for these bonds comes from the increased revenues and the state's existing dedicated federal and state transportation revenue streams.

The implementation and coordination of the $1.586 billion GRIP program and the statewide transportation improvement program (STIP) is the most significant management issue confronting NMDOT. The department must leverage all available funds from GRIP bond proceeds, federal funds, and external partnerships to deliver all projects. All GRIP projects must be programmed in STIP. Prior to GRIP legislation several of the corridors included in GRIP were identified for some level of preservation in STIP (federal) funds. The programmed projects extend from federal fiscal year 2004 to federal fiscal year 2009. These funds are not available until the authorization is granted for each fiscal year. In total, it is estimated that $228.6 million, over the six-year period, in federal funds "overlap" the GRIP funding. Based on current cost estimates, the department concludes GRIP authorization is sufficient to complete all projects identified and use of STIP funds to supplement the projects is not anticipated; however, given the current trend of rising oil and steel pricing, use of STIP funds to supplement GRIP might be necessary.

Bond Program and Debt Management. The department has a total outstanding debt of $1.6 billion with an FY05 debt service obligation of $157 million for all NMDOT bonds. The GRIP bonds account for $1.14 billion in outstanding principal with a final maturity date in 2024. Total GRIP interest and bond expenses will total $720 million through maturity of the bonds. The annual debt service for all bonds will be no more than $160 million. NMDOT is evaluating the need for additional bonding to meet the needs of the state and anticipates completing such analysis for the 2005 legislative session. The department through September 2004 has awarded nine projects totaling $58.7 million and nine additional projects are scheduled to be awarded by the end of 2004 for approximately $169.7 million.

Public Transportation Initiatives. In FY05, the department developed a strategic plan that included as a key element the development of transportation alternatives such as commuter rail or bus service.

Commuter Rail. GRIP legislation provided for reconstruction and improvement of the Interstate 25 (I-25) corridor from Belen to Santa Fe to accommodate public transportation elements including commuter rail. Rail activity has been accelerated while I-25 improvement has not been given the same priority. In a joint partnership between the department and the Mid-Region Council of Governments (MRCOG), the department is approaching commuter rail in two phases: Belen to Bernalillo, estimated completion in the fall 2005; Bernalillo to Santa Fe, estimated completion date in 2008. No funds have been allocated under GRIP for the second phase.

The phase one fall 2005 deadline imposed by Governor Richardson significantly altered the planning process. Minimal analysis of customer demand, fare structure, economic development, and return on investment was conducted prior to capital investments in rail cars and locomotives. These analyses are critical in the determination of operating revenue projections, subsidies needed to cover the rail's operating costs, the number of trains needed, locations of stations, scheduling, and coordination with local transit systems for commuter transport to worksites. Analysis is now being completed in these areas.

To meet the fall 2005 phase one operations deadline, priority was given to tasks requiring the longest acquisition lead-time, including securing track access, the purchase of train locomotives and cars, and acquiring land for stations. Purchase contracts have been signed for 10 bi-level passenger rail cars ($21.9 million) and four locomotives ($9.6 million). The state of New Mexico and Burlington Northern Santa Fe Railroad (BNSF) signed a memorandum of understanding (MOU) outlining proposed terms to enable commuter service between Belen and Bernalillo. An operating agreement is currently under negotiation with an estimated cost for track access and improvements as being $30 million. Station costs are estimated at $10 million for nine stations. Final costs are uncertain pending final land acquisition and station design.

GRIP funds are being used for the phase one capital funding and the initial planning of phase two. Phase two capital funding is being sought through the Federal Transit Administration (FTA) "New Starts" program for major capital transit investments. This is a three-part process subject to FTA evaluation and approval at each step. These are the completion and approval of a detailed "alternatives analysis," expected to be complete in nine months to a year, a "preliminary engineering" analysis, expected to take one to two years, and "Final Design", expected to take an additional one to two years. The analyses required for phase two might show that a commuter rail will not be the preferred transit and a bus or other transportation system will be a more feasible alternative. It is also possible that access to or purchase of the proposed tracks will result in a prohibitively high cost, and the project will not be undertaken.

Phase one operations are planned to be subsidized in the first three years with congestion mitigation and air quality (CMAQ) federal funding. Subsequent year subsidies will be sought from potential regional transportation district (RTD) revenue. RTDs are permitted under state law to impose a one-half percent gross receipts tax on participating municipalities.

Self-Sustainability of Park and Ride Programs. NMDOT is engaged in a strategy that would get the general public to use park and ride first, then by the commuter rail. NMDOT began park and ride as a mechanism to meet a federal mandate to reduce the number of vehicles traveling through the US84/285 construction zone corridor between Santa Fe, Espanola, and Los Alamos. Service began in May 2003 and was expanded in December 2003 to include an I-25 route between Santa Fe and Albuquerque. Both ventures were fully funded by federal funds less passenger revenue. Effective December 2004 federal funding will be reduced to 40 percent of net costs for both routes. Generally the northern New Mexico routes are experiencing ridership of 17 percent of capacity and the Albuquerque to Santa Fe buses are averaging 35 to 39 percent of capacity. Increases in ridership have been noted in the Albuquerque-Santa Fe routes with declining numbers in the Espanola-Santa Fe routes. The cost per passenger to NMDOT is more than $20/day. This amount is four times the amount commuters currently pay to participate in vanpools. Consideration is being given to opening a new park and ride service connection between Las Vegas and Santa Fe and a reduction in existing less productive routes such as between Espanola and Santa Fe. The department should continue to consider maximizing its expenditures at routes where participation merits the investment and seek alternative measures for other routes. Analysis should include a discussion of costs versus benefits, including the impact of reduced traffic congestion. Additionally, all alternatives must be considered. Van pools for certain markets might be more practical and affordable to address commuters' needs than park and ride buses.

PERFORMANCE IMPLICATIONS

Two changes were made in the amendment to performance measures. The first being to number of traffic fatalities to reflect a target of 1.85 per one hundred million miles traveled. This is a goal that is consistent with trend data over the past seven years. The second target changed was that of a 2.5% vacancy rate. This was increased to 5% to reflect a more realistic goal.

FISCAL IMPLICATIONS

Revenue increases to the State Road Fund for FY06 are $13,520.0 million higher than the FY05 Appropriation. The Agency request, Executive recommendation, LFC recommendation and House Transportation Committee recommendation (amended HB4) take this revenue increase into account. The recommendation includes $6,775.8 million of state and federal funds for FY06 IT projects in the base budget.

The appropriation of $723,758.9 contained in this bill is a recurring expense to the State Road Fund, Local Government Road fund, the aviation and transportation funds and federal funds.

The bill appropriates $723,758.9 to NMDOT for FY06 and funds the department's three (3) operating programs among (4) budget categories. The bill reflects an amount of $7,894 State Road Fund transfers the Department of Public Safety, Motor Transportation Division and also includes the IT amount which was removed from the Executive Recommendation.

ADMINISTRATIVE IMPLICATIONS

The department cautions that any salary increases granted for next fiscal year by legislative action will increase operational costs that will be borne by Road Fund revenue and that these increased costs will be managed either through higher vacancy rates or through adjustments to the highway construction program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplication of HB7 and HB2.

TECHNICAL ISSUES

It needs to be determined if DFA is going to propose FY06 language in regards to the carry-over or re-budgeting of prior year encumbrances. If not then language needs to be added to reflect this change.

OTHER SUBSTANTIVE ISSUES

Infrastructure and Programs:

- Amended HB4 increases the Contractual Services Category from the Agency Request by $8,200.5. This increase is in the Road Betterments Division, 100% State Program for those roads that do not qualify for federal funds. Another $6,469.3 has been committed to this

100% State Program for a total program of $14,669.8. This is an increase of 126.8% over FY05.

Transportation & Highway Operations Program:

- Amended HB4 reduced the Contractual Services Category by $234.2 from the Agency Request. The agency indicates that this may impact drug testing programs administered by the department.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

The New Mexico Department of Transportation will not receive appropriation for FY06.

AMENDMENTS

The following language should be added:
The other state funds appropriations to the construction program of the department of transportation include fourteen million six hundred sixty-nine thousand eight hundred dollars ($14,669.8) for a state-funded construction program.

EM/lg:yr