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FISCAL IMPACT REPORT

SPONSOR HAFC DATE TYPED 03/10/05 HB 979/HAFC

SHORT TITLE NMFA Local Transportation Infrastructure Fund SB _____

ANALYST Moser

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
NFI	NFI				General Fund

REVENUE

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	See Narrative				Local Transportation
	See Narrative				Infrastructure Fund

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (NMMFA)
 New Mexico Department of Transportation (NMDOT)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Committee Substitute

HAFC Substitute for House Bill 979 allows the New Mexico Finance Authority to issue and sell local transportation project revenue bonds in compliance with the New Mexico Finance Authority Act in an amount outstanding at any one time of not more than twenty million dollars (\$20,000,000) payable from the local transportation infrastructure fund. The bonds may be issued at times and on terms established by the authority. These bonds would be used for the purpose of the Local Transportation fund. The Committee Substitute also changes language regard-

ing one of the funding sources for the fund from “no more than one-half” of the annual administrative fee received by NMFA for issuing state transportation bonds to “one half” of these same fees. New Mexico Finance Authority estimates approximately \$190,000 each year would be the portion of transportation bond fees that could be transferred to the fund by New Mexico Department of Transportation. The other changes within the Committee Substitute were minor and technical in nature.

Synopsis of Bill

House Bill 979 provides the creation and funding of a Local Transportation Infrastructure Fund within the New Mexico Finance Authority (NMFA) for the purpose of providing local governments, not eligible for Federal funding, and whose needs have not been met by the existing Local Government Road Fund, with assistance for transportation projects.

Sources of funding for the proposed new fund include:

1. No more than one-half of the fee received by NMFA in issuing the state transportation bonds.
2. Loan principal and interest repayments and principal and interest repayments from securities held by NMFA for local transportation projects.
3. An indeterminate appropriation from the legislature to implement the provisions in the bill.
4. Other public or private money appropriated, dedicated or allocated to the fund for the purpose of financing local transportation projects.

Significant Issues

Currently the DOT pays the NMFA 25 basis points on the 2004A Series of GRIP Bonds that were sold in May of 2004. Over the course of the 20 year bonds, this amounts to \$26.3 million payable every six months on a decreasing amount based on outstanding principle and interest. (For example; the June 2005 payment equals \$875 thousand and the June 2024 fee equals \$17.5 thousand). This amount (\$26.3 million) only includes the 2004A series and does not calculate future bond sales as authorized in the GRIP legislation. Future bond sales have not been negotiated or priced between the parties with respect to the fees that would be charged and there is no guarantee that there will be the expected revenue stream to finance this program.

This bill while creating a pool of monies does not fully address the needs of many local governments, in rural areas throughout New Mexico that lack resources to properly maintain roads that may fall within their jurisdiction. A major concern is that those local entities that have resources will apply for and will deplete these funds while those entities with restricted revenues will continue to not have their needs addressed.

PERFORMANCE IMPLICATIONS

This fund provides another alternative for Local Government Road funding by providing a 25% match to Local Governments. This can be used for local projects by the local government or in some cases be used to match Local Government Road Fund projects.

The DOT will provide the NMFA a list of eligible projects each April based on projects advanced by the Regional and Metropolitan Planning Organizations in the state.

FISCAL IMPLICATIONS

The uses of 50% of the 25 basis points collections by NMFA to provide a local road fund assistance program provides the ability to leverage this amount as a match for a partial project funding by local governments. Required matching amounts by local governments could either be direct cash matches or funds provided from proceeds of debt issuance by local governments.

The NMFA indicates that one means of providing grant funding from the administrative fee collections by the NMFA would be to utilize administrative fee collections as a direct cash matching grant on an annual basis. For example, if 25% of a project costs were grant funded from the local road fund, with local governments responsible for 75% of project costs, the projected administration fee collections would provide grant funding assistance for approximately \$132.7 million for projects. If the local governments responsible for 50% of project costs, projected collections would provide grant funding assisting approximately \$66.3 million total projects. The attached debt service schedule representing the bonding capacity analysis for the 12.5 basis point fee is provided by the NMFA. The schedule shows that based upon the issuance timing and principal repayment of all new money GRIP bonds (\$1.585 billion total), the 12.5 basis point fee collected by NMFA and dedicated to the local road fund is projected to generate \$33.2 million. The attached bond issue (\$19.4 million) would provide matching grant funding for \$77.7 million total project costs at 25% NMFA grant and 75% local funding, or it would provide \$38.9 million total project costs at 50% NMFA grant and 50% local funding.

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