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

		ORIGINAL DATE	1/20/2006		
SPONSOR	Silva	**LAST UPDATED**	1/26/2006	**HB**	4/aHTC
SHORT TITLE	Department of Transportation Appropriation Act			**SB**	
				ANALYST	Moser

APPROPRIATION (dollars in thousands)

Appropriation		**Recurring or Non-Rec**	**Fund Affected**
FY06	**FY07**		
	$806,443.0	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
Relates to Appropriation in the General Appropriation Act

REVENUE (dollars in thousands)

Estimated Revenue			**Recurring or Non-Rec**	**Fund Affected**
FY06	**FY07**	**FY08**		
	$806,443.0		Recurring	State Road Fund, Local Gvt. RF, Aviation, Transportation, and Federal

(Parenthesis ( ) Indicate Expenditure Decreases)

All GENERAL APPROPRIATIONS ACTS: HB 7 & HB 2

SOURCES OF INFORMATION

LFC Files

- *Report of the Legislative Finance Committee to the Forty-seventh Legislature*, First Session, January 2006 for Fiscal Year 2006 – 2007, Volume II, pp. 328 - 330.
- Consensus Revenue Estimate, NMDOT, January 2006.

Responses Received From

NM Department of Transportation (NMDOT)

SUMMARY

Synopsis of HTC Amendment

The House Transportation Committee amendment makes the following major changes to the bill:

- Restores $13.85 million of budget initially deleted by both LFC and DFA as IT expansion.
- Reduces effective vacancy rate to 2.5 percent to allow for proposed compensation package. This budgets this increase rather than having the department having to adjust operational budget during the fiscal year.
- Includes $15.2 million for 100 percent state construction program and language specifying this purpose.

Synopsis of original Bill

House Bill 4 represents the Legislative Finance Committee recommendation for funding FY06 recurring operations of NMDOT.

The bill appropriates $791,378.2 to NMDOT for FY07 and funds the department's three (3) operating programs among (4) budget categories. The bill reflects an amount of $7,894.0 State Road fund transfers to the Department of Public Safety, Motor Transportation Division.

FISCAL IMPLICATIONS

Revenue Estimates:

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. Table 1 shows the actual state revenues for FY04 and FY05, the January 2006 forecast of state revenues for Fiscal Year 2006 and Fiscal Year 2007. The fiscal year "Budget Growth" amounts reflect year-over-year changes in the Department ***budget levels***, which differs from actual revenue growth. The column marked "Estimate Revision" for the current fiscal year (FY06) refers to the changes between the "Budget Estimate" used during the 2005 Legislative Session and the latest revised estimate.

The "preliminary" revenue numbers for Fiscal Year 2005 should be regarded as only approximate, and could be subject to significant accrual adjustments.

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
FY06 and FY07 Revenue Estimates
(Dollars in Thousands)

	FY04 Actual	FY05 Prelimi-nary	FY05 Revenue Growth	FY06 Budget Estimate	FY06 Jan-06 Estimate	FY06 Estimate Revision	FY06 Budget Growth	FY07 Jan-06 Estimate	FY07 Budget Growth
Road Fund -- Unrestricted Revenues									
Ordinary Income:									
Gasoline Tax	112,107	109,456	-2,651	116,802	107,400	-9,402	5,279	110,900	-5,902
Special Fuel Tax	74,546	87,902	13,356	93,500	92,335	-1,165	5,457	96,000	2,500
Weight/Distance	51,574	73,781	22,207	77,720	74,750	-2,970	2,924	75,700	-2,020
Trip Tax	4,050	5,724	1,674	4,000	8,000	4,000	0	8,000	4,000
Vehicle Registration	52,996	67,768	14,772	67,315	70,150	2,835	-968	70,270	2,955
Vehicle Transaction	1,132	1,130	-2	1,155	1,100	-55	25	1,100	-55
Driver's License	4,238	4,072	-166	4,300	4,150	-150	544	4,200	-100
Oversize/Overweight	1,157	3,232	2,075	4,000	4,000	0	0	4,000	0
Public Regulatory Commission Fees	3,298	3,526	228	3,300	3,400	100	-100	3,400	100
Penalty Assessments (Reinstatement Fees)	1,085	1,273	188	1,100	0	-1,100	-50	0	-1,100
MVD Miscellaneous	923	1,200	277	1,000	1,900	900	0	1,900	900
Subtotal Ordinary Income	**307,107**	**359,064**	**51,957**	**374,192**	**367,185**	**-7,007**	**13,111**	**375,470**	**1,278**
Road Fund -- Extraordinary Income:									
Asset Sales	1,000	1,283	283	1,000	800	-200	0	1,100	100
Equipment Buy-back Program	259	257	-2	539	539	0	539	1,390	851
"Logo" Signage Revenue	n/a	1,076	1,076	700	1,000	300	700	1,000	300
Other Revenue	2,500	2,150	-350	1,000	2,401	1,401	-1,500	1,000	0
Road Fund Interest	395	1,239	844	1,322	1,870	548	670	1,700	378
Subtotal Extraordinary Income	**4,154**	**6,005**	**1,851**	**4,561**	**6,610**	**2,049**	**409**	**6,190**	**1,629**
Total Road Fund (Unrestricted Revenues)	**311,261**	**365,069**	**53,808**	**378,753**	**373,795**	**-4,958**	**13,520**	**381,660**	**2,907**
Other Funds:									
Highway Infrastructure Fund:									
Leased Vehicle Gross Receipts	4,536	4,524	-12	4,960	4,780	-180	110	4,740	-220
Tire Recycling Fees	1,421	1,950	529	1,900	1,750	-150	40	1,750	-150
Interest	64	124	60	213	234	21	102	268	55
Total Highway Infrastructure Fund	**6,021**	**6,598**	**577**	**7,073**	**6,764**	**-309**	**252**	**6,758**	**-315**
State Infrastructure Bank:									
Loan Repayments	n/a	n/a	n/a	n/a	4,278	4,278	0	1,740	1,740
Interest Earnings	181	313	132	214	150	-64	-53	200	-14
Total State Infrastructure Bank	**181**	**313**	**132**	**214**	**4,428**	**4,214**	**-53**	**1,940**	**1,726**
Local Government Road Fund:									
From Interest	179	383	204	598	725	127	387	830	232
From Special Fuel	9,268	9,199	-69	9,804	9,680	-124	574	10,067	263
From PPL Fee	6,615	6,772	157	7,076	6,643	-433	509	6,926	-150
From DWI reinstatement fees & ID cards	1,123	1,152	29	1,100	1,150	50	0	1,150	50
From Gasoline Tax (MAP)	2,133	2,151	18	2,290	2,110	-180	184	2,180	-110
Leased Vehicle Gross Receipts	1,512	1,508	-4	1,653	1,595	-58	36	1,580	-73
Total Local Government Road Fund Income	**20,829**	**21,165**	**336**	**22,521**	**21,903**	**-618**	**1,690**	**22,733**	**212**
Aviation Fund:									
Gas Taxes (Aviation)	385	388	3	413	380	-33	33	395	-18
Aviation Jet Fuel	1,425	919	-506	1,095	1,040	-55	520	985	-110
Aircraft License Fees	76	73	-3	80	75	-5	10	78	-2
0.046% of General Fund GRT (Aviation)	641	714	73	706	748	42	30	781	75
Total Aviation Fund Income	**2,527**	**2,094**	**-433**	**2,294**	**2,243**	**-51**	**593**	**2,239**	**-55**

	FY04 Actual	FY05 Prelimi-nary	FY05 Revenue Growth	FY06 Budget Estimate	FY06 Jan-06 Estimate	FY06 Estimate Revision	FY06 Budget Growth	FY07 Jan-06 Estimate	FY07 Budget Growth
Transportation Fund:									
Motorcycle Registration (Fund 8)	72	75	3	73	73	0	8	74	1
Motorcycle Training Fund Interest (Fund 8)	2	3	1	5	6	1	2	7	2
Driver Improvement Fees (Fund 9)	190	196	6	160	190	30	-23	190	30
DWI Prevention (Fund 10)	130	162	32	130	160	30	82	160	30
Traffic Safety Fees (Fund 5)	848	878	30	900	900	0	-21	900	0
Traffic Safety Fees Interest (Fund 5)	18	37	19	60	70	10	40	80	20
Community DWI Prevention Fee (Fund 5)	736	742	6	750	750	0	0	750	0
Total Transportation Fund Income	**1,995**	**2,093**	**98**	**2,078**	**2,149**	**71**	**88**	**2,161**	**83**
TOTAL STATE REVENUES	**342,814**	**397,559**	**54,518**	**412,933**	**411,282**	**-1,651**	**16,090**	**417,491**	**4,558**

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.

Prior year revenues (FY05) to the State Road Fund were very close to the budget estimate, and the tax increases associated with HB-15 of the 2003 Special Legislative Session appear to have materialized as expected. Revenue from non-tax sources to the Road Fund came in stronger than forecast, offsetting a weakness in gasoline tax revenue.

This latest estimate has revised expected FY06 revenues down by $5 million, primarily based on the expectation of continued high motor fuel prices through the next 6 months. While higher fuel prices had previously been forecast for FY05, with prices moderating in FY06, the outlook now is for prices to remain near current levels throughout FY06 and moderate only slightly in FY07. While the ***revenue*** trend is forecast to maintain a generally normal rate of growth (about $7.9 million or 2.1% in FY07), the growth in the ***budget*** is forecast at only $2.9 million or 0.8% for FY07.

<u>Gasoline Taxes</u> – The estimate for Gasoline Tax revenue for FY06 has been revised downward by $9.4 million relative to the FY06 budget estimate as a result of high fuel prices. A 2.9% decline in gasoline consumption in FY05 (driven by retail price increases) was more than offset by a decline in Native American tax-exempt activity, resulting in a net increase in *taxable* gallons of about 0.9%. Actual revenue to the State Road Fund declined slightly in FY05 since tax sharing payments to two tribal entities and a new distribution to the State General Fund reduced the State Road Fund share of collected revenues.

For FY06, the continuing high price environment is expected to result in a decrease of an additional -1.4% in gasoline consumption. Over the two years (FY05 and FY06) the combined impact of high gasoline prices is expected to be about a 4.3% decline in gasoline consumption.

For FY07, a forecast of more stable, slightly declining gasoline prices, along with a stabilized pattern of Native American gasoline sales, should result in a normal rate of growth in gasoline tax revenue. Gasoline prices probably represent the most significant risk factor in the revenue forecast.

Motor Carrier Taxes – Special Fuels Tax continues to exhibit growth in taxable volume despite the retail price increases. The forecast for FY06 is for continued slow growth (but about $1 million less than the budget forecast), and stronger growth beginning in FY07.

Weight-Distance Tax appears to be slightly below the budget estimate for FY06, but continues to show some growth. The current forecast incorporates a slightly more moderate rate of growth than did the FY06 budget forecast. It is still too early to evaluate, but there is a good chance future Weight-Distance Tax revenue may be strengthened by the recent implementation of the vehicle-specific Weight-Distance Tax Id Permit. The new Tax Id Permit was first made available in July 2004, was issued for all renewals in January 2005, and became required documentation at the ports-of-entry beginning in March 2005.

The immediate impact of the vehicle-specific Weight-Distance Tax Id Permit has been a reversal of the four years of decline in the Trip Tax. The forecast of Trip Tax for FY06 has been *doubled*, increasing from $4 million to $8 million. This fortuitous development has helped considerably to mitigate the impact of weak gasoline tax revenue.

Motor Vehicle Division Fees – After appearing for awhile as though they might be running a bit lower than expected, Motor Vehicle Registration Fees made a come-back and now appear to be in-line with the forecasts associated with HB-15 from the 2003 Special Legislative Session.

Driver License Fees were expected to decline dramatically in FY04 and FY05 as we entered the fifth year and subsequent years 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. The declines that did occur were less severe than expected, and Driver License revenue now appears to be back on-track with where it probably would have been in the absence of the 8-year License option.

Interest Earnings – The estimates for interest earnings on fund balances have been raised significantly to reflect a forecast of gradually increasing interest rates during FY06 and FY07.

SIGNIFICANT ISSUES

Federal Funding Outlook. The "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU) was signed by President Bush on August 10, 2005 ending a two year effort by Congress to reach agreement on funding for highway, highway safety, motor carrier safety and mass transit. This bill authorizes funding for federal fiscal years (FYs) 2004-2009. The funding for FY04 was not affected and a limited impact is seen in FY05.

Over this five year period (2004-2009), New Mexico will receive $1.77 billion in highway funding representing a total increase of 30.3 percent over the SAFETEA-21 levels. The approximately $82.2 million additional dollars each year will largely fund projects chosen by the state and listed in the State Transportation Improvement Program (STIP) in addition to being used to offset shortfalls in both GRIP and STIP due to increased costs. Additionally, $100 million has been designated for transit programs in New Mexico which is a 100 percent increase over TEA-21 levels.

New Mexico's rate of return should reflect approximately 12 percent more in highway funding than our drivers will pay in federal excise taxes as compared with states such as Texas, California and Arizona which will receive 8 percent less than what they pay in.

The bill contains a number of earmarks for special projects within the state. These earmarks represent 9 percent of the total appropriated ($188.75 million). Congress is currently considering legislation which could eliminate or curtail the implementation of these earmarks.

Santa Teresa Rail Relocation. $14 million has been designated for the initial planning of the relocation of the rail yards in downtown El Paso to the Santa Teresa port. The costs associated with this project will exceed $300 million. A memorandum of understanding is being negotiated between the states of Texas and the New Mexico to coordinate the planning process.

Governor Richardson's Investment Partnership (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, over an eight-year period, to fund 37 transportation projects, including commuter rail in the Interstate 25 corridor between Belen and Santa Fe. Debt service for these bonds comes from 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) continues to be the most significant and challenging management issue confronting NMDOT. In order to meet its commitment the department must leverage all available funds from GRIP bond proceeds, federal funds, and external partnerships to deliver all projects. All GRIP projects are required to be programmed within STIP.
There is concern that inflationary pressures associated with oil supply combined with national shortages of both steel and concrete will increase project costs, delay construction and require the use of other STIP funds to supplement GRIP projects. Initial estimates show that due to these factors GRIP may be under funded by $165 million. If correct, the NMDOT will be forced to use the additional monies received under SAFETEA-LU to absorb these increased costs on both GRIP and STIP projects.

The department is already utilizing STIP monies for GRIP projects in an apparent effort to free money for phase two of the commuter rail project between Bernalillo and Santa Fe. The total cost for commuter rail, phases one and two, is now projected to be $393 million. $318 million from GRIP and another $75 million from STIP.

Through November 2005 NMDOT had designed and let for construction 26 GRIP Projects valued at $323 million. This represents approximately 24 percent of the total GRIP program. Eighty-four projects are under contract for design with an additional seventy projects being designed in-house. The department is scheduled to have spent $677 million by the end of FY07. This latest projection is $30 million less than originally projected. This slippage in project scheduling is a concern especially with more than 50 percent of the remaining projects scheduled to be let in the next few months. In FY05 only 32 percent of projects let were within the year they had been scheduled to be let. Not all problems in scheduling are the result of poor planning. New Mexico highway 491, valued at over $100 million, is a prime example. This project is currently behind schedule and may be moved back as much as two years in construction. The delays are due to difficulties in securing agreement from the Navajo Nation regarding right of way issues. Concern exists that additional slippage may occur especially if shortages in steel and concrete continue.

The department had projected in June of 2005 that it would have paid out of the bond proceeds $$331.6 million through the end of December 2005. The department's most recent reports indicate that it has encumbered $182.9 million through this same period. This would imply that the GRIP project schedules may be slipping and is an area of concern.

A second bond sale is scheduled to be held by the department in the fall of 2006 for the remainder of GRIP funding.

GRIP II. Throughout the state there are a myriad of mainly local road projects that do not qualify for federal monies or inclusion on the STIP. These roads are largely not part of the state road system the NMDOT is responsible for maintaining. As a result, these projects do not get attention due to the lack of any identifiable funding source. The department in early summer 2005 requested counties, tribal and municipal governments to report and prioritize projects within their jurisdictions. These totaled in excess of $3 billion dollars. The department has taken each entity's top priority with an associated cost of $637 million and is developing an approach that will: prioritize the scheduling and financing of these projects in phases and will further require local entity cost sharing. The governor has requested state capital outlay monies of $50 million per year for the next five years to fund this program. Concern exists that GRIP II, while a noble effort to address statewide transportation needs, may enlarge the scope of responsibility of the department and dilute resources required to fulfill the department's mission.

The department is hard pressed to maintain existing roads as is evidenced by the decline in the number of improved pavement surface lane miles for FY05. Based upon NMDOT data projects being let are behind schedule. In FY05 only 32 percent of projects were let on time as compared to 62 percent in FY04. As maintenance costs continue to escalate and gas tax revenues decline due to decreased consumption, the department can ill afford to expand its scope of responsibility.

Bond Program and Debt Management. The department has a total outstanding debt of $1.6 billion with an FY07 debt service obligation of $154.5 million for all NMDOT bonds. The Transportation Commission established an internal policy limiting annual debt service for all bonds to no more than $160 million. 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.

Road Maintenance. Maintenance costs for FY05 accelerated due to heavy snows and rain which resulted in approximately $1.9 million in emergency repairs, cleanup patching and snow and ice removal. New Mexico roads are costly to maintain at an average cost of $25.5 thousand per centerline mile. Some major factors contributing to these high costs are the remote areas and the cost of mobilization of materials and equipment.

Bridge Maintenance. The state has 277 bridges that are considered structurally deficient. This is a decrease from a high of 281 deficient bridges reported in FY04. Funding levels for bridge maintenance are at an all time high with many bridges scheduled for replacement within various STIP and GRIP projects. Bridge replacement costs have risen from an FY04/05cost of $75 per square foot to FY06 estimates of $85 per square foot. These increases are a direct result of rising steel, concrete and energy pricing.

Public Transportation Initiatives. The department's strategic plan includes 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. The original estimates provided for the department indicated the projected costs to be $122.5 million. Today the department projects this to be $318 million for GRIP and another $75 million from STIP. In a joint partnership between the department and the Mid-Region Council of Governments (MRCOG), NMDOT is approaching commuter rail in two phases: Belen to Bernalillo, estimated completion March 2006; Bernalillo to Santa Fe, estimated completion date in December 2008. $75 million was identified in GRIP projections for phase one activities and the initial planning of phase two. Another $75 million appears to have been secured through SAFETEA-LU for phase two operations.

In phase one the department purchased 10 bi-level passenger rail cars ($22.9 million) and four locomotives ($9.6 million). Another locomotive was purchased for $2.25 million using monies from Sandoval County. Station costs are estimated at $16 million for seven stations with some of the costs of the Bernalillo station to be paid by Sandoval County. It is expected that the Bernalillo to Albuquerque route will open in January 2006 with the Belen to Albuquerque segment opening as late as March 2006 due to issues with construction of the train stations.

Track access was negotiated with Burlington Northern Santa Fe Railroad with the state agreeing to purchase the track between Belen and Trinidad, Colorado for $75 million. It is questionable if GRIP monies can be used for the Lamy to Trinidad, CO segment ($5 million) because the track is outside of the outside of the boundaries defined for this project.

In 2004 the department was directed to find sufficient savings in GRIP to fund the expected $250 to $300 million dollars that the second phase would cost. This appears to have been done through the utilization of STIP monies to augment GRIP financing of projects.

Additional capital funding has tentatively obtained $75 million through the Federal Transit Administration (FTA) “New Starts” program for major capital transit investments. The estimated cost of phase two is $250 to $300 million. This is a three-part process subject to FTA evaluation and approval at each step. The three steps are: the completion and approval of a detailed “alternatives analysis,” which was completed and submitted in September 2005; a “preliminary engineering” analysis, expected to take one to two years; and “final design”, expected to take an additional one to two years.

The alternatives analysis submitted in September 2005 was written favoring commuter rail. The analysis reviewed all alternative travel modes between Albuquerque and Santa Fe. These options included expansion of the interstate (additional lanes), increased utilization of buses and high occupancy vehicle lanes and commuter rail. Not surprisingly, the study unquestionably showed commuter rail as being the preferred option. The report indicated due to demographic changes expected in the next 20 years that the commute between Albuquerque and Santa Fe would take more than 2 hours (32 miles per hour). However, if commuter rail was chosen, expenditures on interstate improvements between Albuquerque and Santa Fe would be minimized over the next twenty years. It is incomprehensible that the public would not tolerate and demand improvement with or without the existence of a commuter rail system.

The analysis also projected that by 2025 high occupancy vehicles/regional buses (HOV/BRT) could attract over 21.5 percent of the commuter activity between Santa Fe and Albuquerque as compared to a forecasted 10.1 percent for commuter rail. Yet, the HOV/BRT viability was downplayed and was not the selected alternative. A review of the alternative analysis would seem to indicate that commuter rail is a complimentary service to HOV/BRT services and that interstate maintenance and required improvements will not be abated with commuter rail.

Phase one operational costs are planned to be subsidized in the first three years of operation with congestion mitigation and air quality (CMAQ) federal funding. It is estimated these costs will be about $14 million per year, the detail has not been provided regarding these costs. Offsets from revenue have not been factored into these costs because fares have yet to be established by MRCOG.

MRCOG hopes to have subsequent year subsidization 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. An RTD for the Albuquerque metropolitan area has been approved by all governmental entities within the region and was approved by the NMDOT commission. The RTD tax may only be imposed after voter approval. Passage of this tax increase is uncertain.

Ridership levels are of some concern. The department has not been able to provide any information regarding projected ridership levels. It is expected that with the limited number of available trains during rush hour these trains should be at or near capacity. A major concern exists that needed improvements to the Albuquerque metropolitan area bus system and the establishment of a shuttle service between stations and work sites may not be in place by March 2006 when the commuter rail is initiated. The inability of commuters to not get to work sites within a reasonable period of time will result in many losing confidence in the system and reverting to more reliable forms of transportation.

The City of Albuquerque is also projecting that it will request state assistance for funding a light rail system within the near future.

Self-Sustainability of Park and Ride Programs. The development of consumer demand for public transportation is not simply an issue of generating sufficient volume, but rather an issue of changing behavior. The recent surge in retail gasoline prices has served as an impetus for dramatically changing that behavior. Park and Ride ridership levels are at an all time high. A public transportation system also has to prove itself reliable and convenient to pull commuters from their private vehicles to public vehicles. NMDOT is engaged in a strategy that would get the general public to use park and ride first, then “move up” to commuter rail. These two programs should not be viewed as competitors but rather as complementary services with each serving a distinct need.

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. This funding has been reduced to 40 percent of net costs for both routes as of December 2004.

Park and Ride’s ridership has more than doubled on the Albuquerque to Santa Fe route this fiscal year. This is due to the sharp rise of gasoline prices. The Espanola routes continue to experience ridership issues. This has resulted in reviews of schedules and passenger levels. Buses have been canceled on certain routes and added to other routes as consumers increase. The cost per passenger to NMDOT has declined 7 percent over the past two years largely due to this increase in riders. In FY04 the cost to the state per rider was $14.98. In FY05 this was reduced to $13.93. 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

The NMDOT points out that a technical change needs to be made on 1d. Number of traffic fatalities to reflect appropriate data has demonstrated by decimal points, not percentages in previous years and this estimate is listed in the recommended agency target column.

1	**Infrastructure and Programs**	**HB 4**
A	Quality: Ride quality index for new construction	4.3
B	Quality: Percent of final cost over bid amount	4.0
C	Outcome: Percent of front occupant seat belt use by the public	92%
D	Outcome: Number of traffic fatalities per one hundred million miles traveled	~~55%~~ 2.45
E	Output: Annual rural public transportation ridership	700.0
F	Output: Revenue dollars per passenger on Park and Ride	1.60
G	Explanatory: Annual number of riders on park and ride	200.0
H	Explanatory: Percent of programmed projects let according to schedule	85%
I	Outcome: Percent capacity-filled on commuter rail service between Belen and Bernalillo	85%
2	**Operations**	**HB 4**
A	Outcome: Number of combined system wide miles in deficient condition	2500
B	Outcome: Number of State wide improved pavement surface miles	5000
C	Efficiency: Maintenance expenditures per lane mile of combined system-wide miles	5250
D	Outcome: Number of non-interstate miles rated good	*
E	Outcome: Number of interstate miles rated good	*
F	Quality: Customer satisfaction levels at rest areas	*
3	**Business Support**	**HB 4**
A	Outcome: Percent of vacancy rate in all programs	7.5%
B	Outcome: Percent of vacancy rate in all programs	*

***TECHNICAL ADJUSTMENT- Under Number of traffic fatalities per one hundred million miles traveled. It is listed incorrectly as 55% and should read 2.45.**

ADMINISTRATIVE IMPLICATIONS

HB4 includes an average 5% vacancy factor applied to the agency's Salaries and Benefits category. The NMDOT expresses concern tha tsince it is not a General Fund agency, any proposed salary increases will increase operational costs. Any increased operational costs, must be maintained within existing Road Fund Revenue. These costs will be managed through higher vacancy rates or through an adjustment to the highway construction program.

TECHNICAL ISSUES

The NMDOT points out that:

- The revenue for the State Infrastructure Bank (SIB) budget expenditures was mistakenly identified as Fund Balance in the department's original request, when in fact this is revenue as projected in the department's "Road Fund Outlook". This should have been identified as Other Program Revenues and not Fund Balance.
- The state budget requested for Debt Service within the Other Costs category of the Programs and Infrastructure Program was incorrectly requested by the department and an adjustment of the budget is requested. Please see the revisions below:

Revenue:	**Original**	**Adjustment**	**New**
State Road Fund	$37,966.8	$0	$37,966.8
HIF	$ 4,214.8	<$.2>	$ 4,214.6
FHWA	$94,924.5	<$4,828.1>	$90,096.4
WIPP-DOE	$15,688.8	<$.4>	$15,688.4
TOTAL	**$152,794.9**	**<$4,828.7>**	**$147,966.2**

Expenditures: Programs and Infrastructure Program (P562)

	Federal	State
Other Costs Category (400) (Debt Service Expenditures)	<$4,828.5>	<$.2>

OTHER SUBSTANTIVE ISSUES

- The updated January state revenue estimates will include some revised amounts and adjustments to the department's budget will be necessary.
- The funding of a proposed FY07 compensation package needs to be considered, being that the department normally does not get a General Fund appropriation for this.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Department of Transportation will not receive any appropriation and will be unable to meet its obligations.

GM/mt:yr