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FISCAL IMPACT REPORT

ORIGINAL DATE 2/12/15
SPONSOR Brown **LAST UPDATED** _____ **HB** 4/aHTPWC

SHORT TITLE Dept. of Transportation Appropriation Act **SB** _____

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$865,123.9	Recurring	State Road Fund and Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
	\$456,511.5		Recurring	State Road Fund and Other State Funds*
	\$408,612.4		Recurring	Federal Funds

(Parenthesis () Indicate Revenue Decreases)

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

SOURCES OF INFORMATION

LFC Files

Responses Received From

NM Department of Transportation (NMDOT)

SUMMARY

Synopsis of HTPWC Amendment

The House Transportation and Public Works Committee amendment to HB 4 reflects the consensus agreement between the NMDOT, the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) staffs with regard to the proposed appropriation levels, FTE levels, and performance measures and targets for the NMDOT in FY16. HB 4, as amended, appropriates \$865.1 million including \$456.5 million from the State

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Road Fund (SRF) and other state funds and \$408.6 million from federal funds to support the operations of NMDOT in FY16.

HB 4, as amended, represents an increase of \$3 million, or 0.35 percent, over FY15 approved operating levels. The amendment increased non-federal revenues by \$22.4 million including included an additional \$18.4 million from fund balances over the original bill. The additional funding was distributed as follows: \$10 million to increase the federal match for construction projects; \$6.6 million to provide a budget for 100 percent state-funded roads; \$3 million to increase salaries of employees below mid-point; \$1.5 million for road maintenance; and \$1.5 million to lower vacancy rates to an average 10 percent.

Synopsis of Original Bill

House Bill 4 appropriates \$842.7 million to the New Mexico Department of Transportation (NMDOT) including: \$434.4 million from State Road Fund revenues, other restricted funds, and other fund balances, and \$408.6 million from federal sources to support the operations NMDOT in FY16. HB 4 transfers 14 FTE positions from the Programs and Infrastructure program and Program Support to the Transportation and Highway Operations program to supplement the construction bureau. The transfer of the FTE corresponds to the request of the NMDOT.

The legislation reflects the Legislative Finance Committee (LFC) appropriation and performance measures recommendation. The legislation authorizes NMDOT to extend appropriations pertaining to prior fiscal years in the Programs and Infrastructure and Transportation and Highway Operations Programs, commonly called “rollover” authority. The legislation provides an exception to the law that requires funds to be received by the New Mexico Finance Authority from NMDOT to be deposited into the Local Government Transportation Infrastructure Fund.

FISCAL IMPLICATIONS

HB 4 as amended provides an increase of \$3 million, or 0.35 percent, over the FY15 operating budget. The bill allocates all of the anticipated SRF revenue to programs and dedicates an additional \$26.2 million from fund balances to construction and maintenance activities. HB 4 imposes a 10 percent vacancy rate on NMDOT, though, given current vacancies across the department, the personal services and employee benefits category appropriations will enable the NMDOT to hire additional staff.

SIGNIFICANT ISSUES

Current levels of state road funds, even when combined with federal funds, are insufficient to address state transportation infrastructure needs. NMDOT documents suggest annual unfunded construction needs of approximately \$342.8 million across the state plus maintenance shortfalls of another \$115.8 million.

NMDOT faces significant funding constraints as a result of debt obligations incurred through state transportation infrastructure projects, including the Rail Runner. As of July 2014, the total outstanding debt for infrastructure projects across the state totals \$2 billion. HB 4 contains appropriations of approximately \$143.5 million dedicated to debt principal and debt interest.

PERFORMANCE IMPLICATIONS

Current levels of funding do not allow the department to adequately maintain all state roads, highways and bridges, with routine maintenance, repair, and construction being deferred for increasingly longer periods of time.

CJ/bb/aml