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FISCAL IMPACT REPORT

ORIGINAL DATE 2/5/21

SPONSOR Rubio LAST UPDATED _____ HB 3

SHORT TITLE Department of Transportation Act SB _____

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$547,944.0	Recurring	State Road Funds
	\$404,145.4	Recurring	Federal Funds
	\$6,371.9	Recurring	Internal Service Funds/Interagency Transfers
	\$958,461.3		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Bill 3 includes the FY22 operating budget appropriations for the Department of Transportation (NMDOT) based on the Legislative Finance Committee's FY22 budget recommendation and includes recommended performance measures and targets.

HB3 appropriates \$958.5 million, including \$547.9 million from state revenues and \$404.1 million from federal funding sources, to support the operational activities of NMDOT in FY22. The bill also provides an exception to the law requiring funds received by the New Mexico Finance Authority from NMDOT to be deposited into the local government transportation infrastructure fund.

FISCAL IMPLICATIONS

NMDOT revenue comes from two sources: state road fund, primarily used for highway maintenance, and federal funding awards, primarily used for construction and debt service payments. HB3 provides a flat budget for federal revenue and a \$38.6 million, or 7.5 percent, decrease in state road fund (SRF) revenue. The decrease in recurring SRF revenue was driven by

a \$25.9 million reduction in use of SRF balance. HB3 provides total recurring appropriations of \$958.5 million, a \$31.7 million, or 3.2 percent, reduction from the FY21 operating budget.

SIGNIFICANT ISSUES

SRF accounts for approximately half of NMDOT operating revenue and is used to match federal funds for construction as well as pay for most road maintenance activity. For the past two decades, growth in SRF revenue has been outpaced by construction price increases.

The SRF is composed of revenues including gasoline and special fuel (diesel) taxes, taxes and fees on commercial trucking, and vehicle registration fees. SRF revenue growth has been outpaced by construction price inflation. Since 2011, SRF revenue increased by \$72 million, or 19 percent. However, inflation over this time period increased by 27 percent resulting in the purchasing power of the SRF falling by 7 percent, or \$16 million.

Slow SRF revenue growth is primarily attributable to gains in passenger and commercial vehicle fuel efficiency and slow population growth. New Mexico has the lowest gasoline tax in the southwest region at 17 cents per gallon. The tax was last changed in 1995 when it was reduced by 3 cents per gallon. Neither the gasoline nor special fuels taxes are indexed to inflation, resulting in constantly eroding revenue streams to the SRF.

For FY20, the department estimated \$317.8 million per year is needed for maintenance across the state; the FY20 budget provided only \$214.6 million. The \$103 million maintenance shortfall will trigger costlier repairs later. For example, roads in good to very good condition require treatments costing between \$16 thousand and \$37 thousand per lane mile, while roads in poor condition requiring reconstruction cost up to \$1.5 million per lane mile.

Fund balance is added into the budget during the consensus transportation budget process during the legislative session when the amount of available fund balance is known.