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FISCAL IMPACT REPORT

SPONSOR <u>Hochman-Vigil/Lundstrom/De La Cruz</u>	LAST UPDATED <u>3/19/2025</u>	ORIGINAL DATE <u>2/12/2025</u>
SHORT TITLE <u>Additional Highway Project Bonding</u>	BILL NUMBER <u>House Bill 145/aHTPWC/aSFC</u>	ANALYST <u>Simon</u>

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
Weight-Distance Tax		\$40,215.0	\$41,650.0	\$43,225.0	Recurring	State Road Fund
Vehicle Regis. Fees		\$30,243.0	\$30,713.1	\$31,130.5	Recurring	State Road Fund
EV Surcharge		\$892.2	\$3,537.2	\$6,225.5	Recurring	State Road Fund
Subtotal		\$71,350.2	\$75,900.3	\$80,581.0		All Recurring
Bond Issuance		Up to \$290,000	Up to \$290,000	Up to \$233,920	Nonrecurring	State Road Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Debt Service Interest Payments		\$0.0	Up to \$10,150.0	Up to \$10,150.0	Recurring	State Road Fund
Debt Service Principal Payments		\$0.0	Up to \$1,633	Up to \$1,633	Recurring	State Road Fund
Total		\$0.0	Up to \$32,959.8	Up to \$32,959.8		State Road Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 2 and 3.

Sources of Information

LFC Files

Agency Analysis Received From

Department of Finance and Administration (on unamended bill)

Department of Transportation (on unamended bill)

SUMMARY

Synopsis of SFC Amendment to House Bill 145

The Senate Finance Committee Amendment to House Bill 145 (HB145) includes additional revenue for the Department of Transportation (NMDOT) to offset the cost of the additional debt authorized by the bill. The amendment includes a 35 percent increase to the weight-distance tax, a 25 percent to vehicle registration fees and a new fee for electric and plug-in hybrid vehicles. These taxes and fees would provide the department with an estimated \$72.2 million in FY26, rising to \$80.6 million by FY28.

The bill also limits total proceeds of the bond sales to \$1.5 billion and limits the issuances to \$290 million per year. Finally, the amendment slightly alters the HTPWC amendment to provide that NMDOT must report “highway projects to be financed” rather than “highway projects financed.” This provision would require NMDOT to report on projects it is planning to issue debt for prior to the issuance, rather than reporting after the debt has already been issued.

The amendment includes effective dates for different provisions of the amended bill. Sections 1 (increases to weight-distance tax), Section 2 (increases to registration fees), and 5 (distributions of registration fee revenue) of the amended bill would be effective July 1, 2025. Section 4 of the amended bill (distribution of EV revenue) would be effective January 1, 2026. This amendment does not contain an effective date for Section 3 of the amended bill and, as a result, that section would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025. However, that section, which includes additional registration fees for electric vehicles, provides the fees included in that section do not begin until January 1, 2026.

Synopsis of HTPWC Amendment to House Bill 145

The House Transportation, Public Works and Capital Improvements Committee Amendment to House Bill 145 (HB145) adds certain project identification and reporting requirements for projects funded with the proposed bond sales.

Synopsis of Original Bill

House Bill 145 authorizes the Transportation Commission to issue up to \$1.5 billion in additional bond debt backed by payments to the state road fund and the highway infrastructure fund, including federal revenue sources. The bill maintains the current total limit on outstanding principal amount of \$1.124 billion. Bond proceeds would be repaid from the state road fund or from federal revenues.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

Bonding Authorization. NMDOT currently has outstanding debt principal of \$579.6 million (a portion of this will be paid off by the department in June, before the bill would go into effect), with additional interest payments of \$107 million between FY25 and FY31. NMDOT’s current

debt portfolio will be completely repaid by FY32. HB145 would allow the Transportation Commission to issue up to \$1.5 billion in new debt, provided the outstanding principal of all debt does not rise above \$1.124 billion. HB145, as amended, would authorize the department to issue up to \$290 million per year, spreading the total of \$1.5 billion authorized by the bill over many years. The amended bill specifies the department may issue up to \$290 million in FY26. The table below includes the balances of principal amounts for debt that has been already issued and estimates the amount of bonding capacity that would be unlocked over time, based on the limit of \$290 million per year, with an aggregate debt cap of \$1.124 billion.

Debt Capacity Given Current Debt Service Payment Schedule

(in thousands)

	Outstanding Principal of Current Debt	Additional Capacity Unlocked*	Total Debt Cap	Cumulative Additional Capacity
As of July 1, 2025	\$497,465	\$290,000	\$787,465	\$290,000
As of July 1, 2026	\$411,565	\$290,000	\$991,565	\$580,000
As of July 1, 2027	\$310,080	\$233,920	\$1,124,000	\$813,920
As of July 1, 2028	\$214,245	\$95,835	\$1,124,000	\$909,755
As of July 1, 2029	\$113,615	\$100,630	\$1,124,000	\$1,010,385
As of July 1, 2030	\$7,955	\$105,660	\$1,124,000	\$1,116,045
Future Years		\$383,955		\$1,500,000

Source: LFC Files

The table above does not assume any principal payments for future debt before FY30. Typically, NMDOT does not pay a large amount of debt principal in the early years of an issuance and frequently makes interest only payments in these years. The bill would leave the schedule for debt issuance to the Transportation Commission. Analysis from DFA states this allows the commission to align issuance with project readiness, which is an important consideration in tax-exempt bonds.

HB145 limits NMDOT to raising up to \$1.5 billion in additional revenue. Past debt issues have often paid the department a premium and have typically carried a higher interest rate—often 5 percent—in exchange for receiving that premium. For example, in 2021 the department issued bonds with a face value of \$234.6 million and received \$303.9 million for the sale. The department paid 5 percent interest on the face value of the bond. At the time, interest rates were low so the department received a significant premium.

Because the bill only authorizes the sale of the bonds any projection of possible costs is speculative; however, if NMDOT were to issue \$290 million in debt in FY26 at an interest rate of 3.5 percent, that could add up to \$10.2 million in interest on that debt in FY27. Additionally, it is unclear if NMDOT would immediately begin making principal payment. The operating budget impact table assumes a small payment of principal. It may however, be unlikely that NMDOT would issue all additional capacity in the first year of authorization. To manage project delivery, the department may plan to issue only a small portion of the available capacity and retain additional capacity for future years.

State Road Fund Revenue. The Senate Finance Committee Amendment includes additional revenue the department could use to finance the debt issuances authorized by the bill. These

provisions include increases to the weight-distance tax, a tax on heavy commercial vehicles designed to offset the greater impact these heavy vehicles have on road conditions. The tax rate charged per mile increases as the weight of the load carried by the vehicle increases. HB145 would increase the weight-distance tax rates by 35 percent. NMDOT anticipates a 35 percent increase would raise an additional \$40 million per year, based on January 2025 revenue estimates. Rates were last increased in 2003 and are not adjusted for inflation. In that time, the Federal Highway Administration reports highway construction costs have increased by more than 300 percent.

Additionally, HB145 provides for a 25 percent increase in vehicle registration fees paid on passenger vehicles registered by New Mexicans. The fees apply to vehicles other than motorcycles, “trucks” (defined in the Motor Vehicle Code as vehicles primarily for the transportation of property, not passengers), buses, or tractors. Current fees range from \$21 per year to \$56 per year and are based both on the weight of the vehicle and the amount of time the vehicle has been registered in New Mexico. Revenue is split between the state road fund and county and municipal governments. HB145 adjusts the distribution formulas for registration fees to provide all of the additional revenue for the increase would go to the state road fund, while revenue directed to county and municipal governments would stay the same. A breakdown of the fee increases by weight and registration time can be found on page 7 and 8. Vehicle registration fees were last increased in 2003 (at the same time of the last increase to weight-distance tax increase). As noted above, inflation in road construction costs has drastically reduced the purchasing power these registration fees offer to the department. NMDOT anticipates this increase could bring in about \$30 million per year, based on January 2025 state road fund revenue estimates.

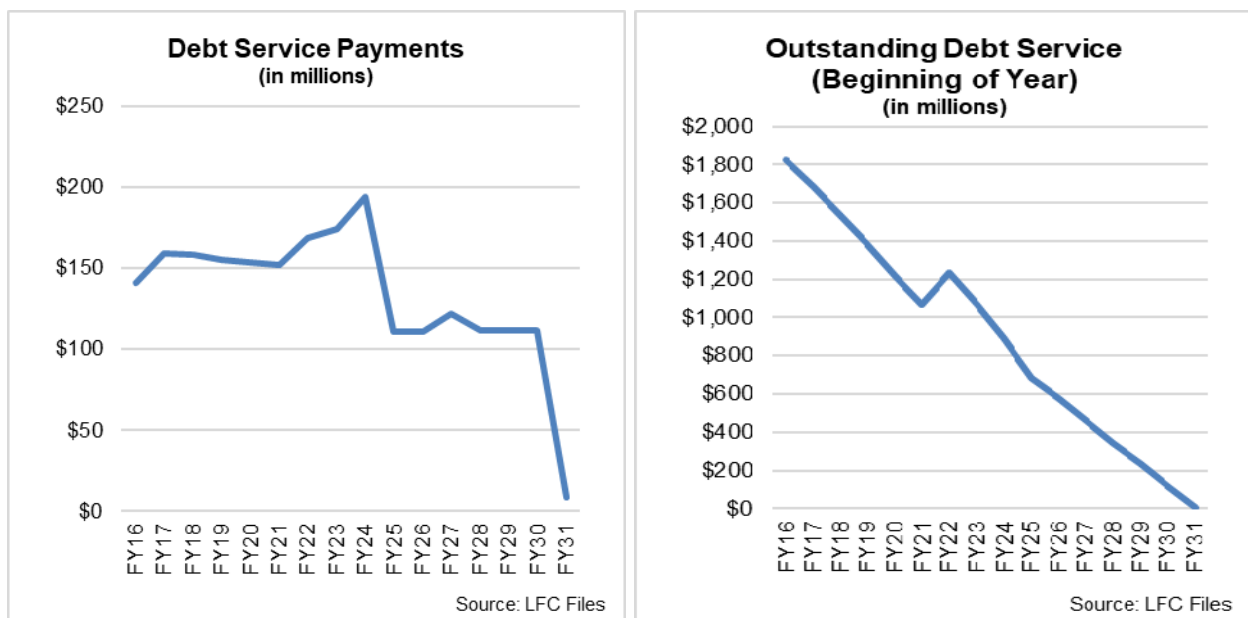
Finally, the amended bill includes a new fee for electric vehicles and plug-in hybrids. Like other states, New Mexico’s road construction and maintenance projects (and other expenses of the transportation department) are largely funded on a “user pays” basis. In New Mexico and most other state the largest category of revenue directed to the state road fund comes from taxes on fuel, including taxes on gasoline and diesel. NMDOT anticipated fuel taxes will account for about 45 percent of road fund revenue in FY26. This has posed challenges to state departments of transportation as increased fuel efficiencies and increased adoption of zero-emission vehicles, which do not require gasoline or diesel and thus do not pay these taxes, have meant road users are paying less to maintain roadways. Wider adoption challenges this traditional model of funding highway construction and maintenance projects. One strategy some states have used to is to charge a specific registration fee for electric vehicles and plug-in hybrid vehicles. According to the National Conference of State Legislatures, 38 states have adopted these fees for electric or hybrid vehicles. While the details of these fee programs vary by state, and fees can range from \$45 to \$240.

HB145 would create a new registration fee for electric vehicles and plug-in hybrids, beginning in calendar year 2026. The fee for electric vehicles would be \$80 in 2026, \$100 in 2027, and \$120 in 2028. Fees for plug-in hybrids would be \$20 in 2026, \$40 in 2027, and \$60 in 2028 and subsequent years. NMDOT estimates a total of 20.4 thousand full electric vehicles in New Mexico in 2026 and 7.5 thousand plug in hybrids. Because this fee is effective January 1, 2026, only half of the annual revenue would be received that year, for a total of \$892.2 thousand. That total would rise to \$6.2 million by FY28, both due to the rate increases included in HB145 and due to increased adoption of electric and plug-in hybrid vehicles.

SIGNIFICANT ISSUES

Although NMDOT currently has outstanding debt service payments of \$575 million between FY26 and FY31, as recently as FY16 the department carried \$1.828 billion outstanding debt service payments. The charts below display annual debt service payments for NMDOT and total outstanding debt service payments by fiscal year.

For several years, annual debt service payments totaled more than \$150 million per year before falling drastically from \$193 million in FY24 to \$110 million in FY25. Payments on existing debt are expected to remain steady at about the \$110 million per year level between FY25 and FY30, before falling to \$8.8 million in FY31. The department could structure the debt issuance to make interest only payments between FY25 and FY30 and begin paying a larger portion of the bond issues beginning in FY31.



Issuance of debt for road construction represents tradeoff policymakers must balance when weighing possible options. Issuing debt provides the department with additional revenue in the short term to make investments in road infrastructure but, if debt service payments are too high, it could minimize available funding for other department needs that cannot be financed by debt. NMDOT reports significant need for investments in road infrastructure. The department’s Statewide Transportation Improvement Program include 1,645 projects valued at \$10.8 billion. Of that, about \$7.8 billion has already been spent or has had a funding source identified, leaving a \$1.2 billion gap for projects outside the department’s fiscally constrained four-year plan.

Issuing new debt would allow the department to undertake additional road construction projects in the short term and spread paying for those projects out over time. While the additional revenue raised by the bill would likely be well in excess of what is needed to pay for debt service in the early years of the issuance, total payments will rise as the department begins to repay the principal. Until this revenue is needed for debt service payments, it could allow the department to make additional investments in other areas. The department has identified budget shortages in road maintenance projects, heavy equipment needed for these projects, and in the patrol year facilities used by road maintenance workers statewide. Over the longer term, the additional

revenue could soften what the department currently projects in falling revenue from gasoline taxes. Projections from the department show that although economists expect revenue into the road fund to grow by 6 percent by 2030, but between 2030 and 2040 revenue is expected to decline by 9 percent and by 11 percent between 2040 and 2050.

HB145 would require the department to provide justification to the Legislature on which projects are selected for funding. To be eligible, projects must be on the department's Statewide Transportation Improvement Program, a federally-required planning program covering at least a four-year period of intermodal transportation projects. Under federal regulations, the program must be developed by NDMOT in collaboration with metropolitan and regional planning organizations. Additionally, NMDOT would need to include the following information on budget forms submitted annually to the Department of Finance and Administration and the Legislative Finance Committee. These reports must include:

- A justification for the selection of each project;
- Traffic counts and accident rates at each proposed project site;
- An analysis of how the proposed improvements would impact traffic flows;
- The ranking of the pavement and substructure for each proposed project site;
- An assessment of the economic development impact;
- The expected life of the proposed projects;
- The expected cost of the proposed project; and
- Any other information the department deems significant.

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HB145 Proposed Changes to Vehicle Registration Fees and Revenue Distribution

Vehicles up to 2,000 lbs. (registered less than five years)

Receiving Fund	Current			Proposed			New Revenue per Reg.
	Total Fee	Percent	Share	Total Fee	Percent	Share	
State Road Fund	\$27.00	74.65%	\$20.16	\$33.75	79.7%	\$26.91	\$6.75
County General Funds (allocated by registration fees on vehicles in each county)	\$27.00	7.60%	\$2.05	\$33.75	6.08%	\$2.05	\$0.00
County Road Funds (allocated by miles of public roads)	\$27.00	7.60%	\$2.05	\$33.75	6.08%	\$2.05	\$0.00
Municipal Street Funds (allocated by property tax net taxable value)	\$27.00	4.06%	\$1.10	\$33.75	3.25%	\$1.10	\$0.00
County and Municipal General Funds (allocated by property tax amounts due)	\$27.00	6.09%	\$1.64	\$33.75	4.87%	\$1.64	\$0.00

Vehicles up to 2,000 lbs. (registered more than five years)

Receiving Fund	Current			Proposed			New Revenue per Reg.
	Total Fee	Percent	Share	Total Fee	Percent	Share	
State Road Fund	\$21.00	74.65%	\$15.68	\$26.25	79.7%	\$20.93	\$5.25
County General Funds (allocated by registration fees on vehicles in each county)	\$21.00	7.60%	\$1.60	\$26.25	6.08%	\$1.60	\$0.00
County Road Funds (allocated by miles of public roads)	\$21.00	7.60%	\$1.60	\$26.25	6.08%	\$1.60	\$0.00
Municipal Street Funds (allocated by property tax net taxable value)	\$21.00	4.06%	\$0.85	\$26.25	3.25%	\$0.85	\$0.00
County and Municipal General Funds (allocated by property tax amounts due)	\$21.00	6.09%	\$1.28	\$26.25	4.87%	\$1.28	\$0.00

Vehicles 2,000 lbs. - 3,000 lbs. (registered less than five years)

Receiving Fund	Current			Proposed			New Revenue per Reg.
	Total Fee	Percent	Share	Total Fee	Percent	Share	
State Road Fund	\$39.00	74.65%	\$29.11	\$48.75	79.7%	\$38.86	\$9.75
County General Funds (allocated by registration fees on vehicles in each county)	\$39.00	7.60%	\$2.96	\$48.75	6.08%	\$2.96	\$0.00
County Road Funds (allocated by miles of public roads)	\$39.00	7.60%	\$2.96	\$48.75	6.08%	\$2.96	\$0.00
Municipal Street Funds (allocated by property tax net taxable value)	\$39.00	4.06%	\$1.58	\$48.75	3.25%	\$1.58	\$0.00
County and Municipal General Funds (allocated by property tax amounts due)	\$39.00	6.09%	\$2.38	\$48.75	4.87%	\$2.37	\$0.00

Vehicles 2,000 lbs. - 3,000 lbs. (registered more than five years)

Receiving Fund	Current			Proposed			New Revenue per Reg.
	Total Fee	Percent	Share	Total Fee	Percent	Share	
State Road Fund	\$31.00	74.65%	\$23.14	\$38.75	79.7%	\$30.89	\$7.75
County General Funds (allocated by registration fees on vehicles in each county)	\$31.00	7.60%	\$2.36	\$38.75	6.08%	\$2.36	\$0.00
County Road Funds (allocated by miles of public roads)	\$31.00	7.60%	\$2.36	\$38.75	6.08%	\$2.36	\$0.00
Municipal Street Funds (allocated by property tax net taxable value)	\$31.00	4.06%	\$1.26	\$38.75	3.25%	\$1.26	\$0.00
County and Municipal General Funds (allocated by property tax amounts due)	\$31.00	6.09%	\$1.89	\$38.75	4.87%	\$1.89	\$0.00

Vehicles More than 3,000 lbs. (registered less than five years)

Receiving Fund	Current			Proposed			New Revenue per Reg.
	Total Fee	Percent	Share	Total Fee	Percent	Share	
State Road Fund	\$56.00	74.65%	\$41.80	\$70.00	79.7%	\$55.80	\$14.00
County General Funds (allocated by registration fees on vehicles in each county)	\$56.00	7.60%	\$4.26	\$70.00	6.08%	\$4.26	\$0.00
County Road Funds (allocated by miles of public roads)	\$56.00	7.60%	\$4.26	\$70.00	6.08%	\$4.26	\$0.00
Municipal Street Funds (allocated by property tax net taxable value)	\$56.00	4.06%	\$2.27	\$70.00	3.25%	\$2.28	\$0.00
County and Municipal General Funds (allocated by property tax amounts due)	\$56.00	6.09%	\$3.41	\$70.00	4.87%	\$3.41	\$0.00

Vehicles More than 3,000 lbs. (registered more than five years)

Receiving Fund	Current			Proposed			New Revenue per Reg.
	Total Fee	Percent	Share	Total Fee	Percent	Share	
State Road Fund	\$45.00	74.65%	\$33.59	\$56.25	79.7%	\$44.84	\$11.25
County General Funds (allocated by registration fees on vehicles in each county)	\$45.00	7.60%	\$3.42	\$56.25	6.08%	\$3.42	\$0.00
County Road Funds (allocated by miles of public roads)	\$45.00	7.60%	\$3.42	\$56.25	6.08%	\$3.42	\$0.00
Municipal Street Funds (allocated by property tax net taxable value)	\$45.00	4.06%	\$1.83	\$56.25	3.25%	\$1.83	\$0.00
County and Municipal General Funds (allocated by property tax amounts due)	\$45.00	6.09%	\$2.74	\$56.25	4.87%	\$2.74	\$0.00

**States with Electric Vehicle
or Plug-in Hybrid Fees**

State	Fee Range
Alabama	\$100-\$200
Arkansas	\$50-\$200
California	\$118
Colorado	\$50
Georgia	\$200
Hawaii	\$50
Idaho	\$75-140
Illinois	\$100
Indiana	\$74-\$221
Iowa	\$65-\$130
Kansas	\$50-\$100
Kentucky	\$60-\$120
Maryland	\$100-\$125
Michigan	\$140-\$240
Minnesota	\$75
Mississippi	\$75-\$150
Missouri	\$60-\$120
Montana	\$70-\$130
Nebraska	\$75-\$150
New Hampshire	\$50-\$100
New Jersey	\$250
North Carolina	\$107-\$215
North Dakota	\$50-\$120
Ohio	\$100-\$200
Oklahoma	\$82-\$110
Oregon	\$115
Pennsylvania	\$50-\$200
South Carolina	\$60-\$120
South Dakota	\$50
Tennessee	\$100-\$200
Texas	\$200-\$400
Utah	\$60-\$139
Vermont	\$45-\$89
Virginia	\$128
Washington	\$75-\$150
West Virginia	\$100-\$200
Wisconsin	\$75-\$175
Wyoming	\$200

Source: NCSL