LFC Requester:	Joseph Simon

NMDOT BILL ANALYSIS
2026 REGULAR SESSION

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute, or a correction of a previous bill}

Check all that apply:

Original X **Amendment** ______
Correction ______ **Substitute** ______

Date Prepared: 1/21/2026
Bill No. SB 2

Sponsor: Roberto "Bobby" J. Gonzales, George K. Muñoz, and Pete Campos

Agency/ Code: NMDOT - 805 - Revenue Planning

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Short Title State Highway Project Bonds

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Not applicable.

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY27	**FY28**	**FY29**		
69,950	72,312	74,334	Recurring	State Road Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Subject to approval by the State Transportation Commission (STC), Senate Bill 2 (SB 2), as introduced, would allow for the issuance of an additional $1.5 billion in bonds to fund road projects. The bonds are to be secured by or payable to applicable federal funds or from taxes or fees not otherwise obligated and required by law to be paid into the State Road Fund (SRF). There is a stipulation that the aggregate outstanding principal amount of bonds issued does not exceed $1.124 billion.

SB 2 requires that funds received from bond issuances be spent on state highway projects identified in the Statewide Transportation Improvement Program (STIP). Prior to this requirement, funded highway projects did not need to come from the STIP.

SB 2 also requires that the New Mexico Department of Transportation (NMDOT) supplement the budget form submitted pursuant to Section 6-3-18 NMSA 1978. The supplement must report the justification for the selection and priority ranking of each project financed with bond issuances, the expected life of the proposed project, the amount of revenue required to pay the principal and interest of outstanding and proposed bonds based on a five- and twenty-year forecast of the SRF, and the effect of the bond program on the NMDOT's construction and maintenance program.

SB 2 includes several mechanisms to fund the proposed bond payments. Specifically, the weight distance tax is increased by 35% for truck tractors, but not for buses; additionally, the passenger vehicle registration fee is increased by 25%; and finally, an annual surcharge for electric vehicle (EV) owners is introduced.

The EV surcharge is to be introduced in stages. Beginning in calendar year 2027, the fee will be $70 for battery electric vehicles (BEVs) and $35 for plug-in hybrid electric vehicles (PHEVs). In calendar year 2028, the fee will be $80 for BEVs and $40 for PHEVs. In calendar year 2029 and beyond, the fee will be $90 for BEVs and $45 for PHEVs. All revenue from the EV surcharge will be distributed to the SRF. Also, the distribution of vehicle registration fees was adjusted so that all of the increased revenue will go to the SRF.

The SRF also places restrictions on the issuance of bonds. The STC may not issue bonds pursuant to this authority if the average issuance in every fiscal year exceeds $290 million. For fiscal year 2026, bond issuance is capped at $220 million. The December 2026 bond sale is capped at $130 million, and bond proceeds cannot be used to retire previously issued bonds or debt obligations.

In addition, in the budget forms submitted pursuant to Section 6-3-18 NMSA 1978, the NMDOT must include a report on the highway projects to be financed with bonds from this bill. The report must include a justification for the selection and priority ranking of each project, including a variety of measures used to determine the selection and priority ranking.

FISCAL IMPLICATIONS

This analysis is based on the restrictions set forth in the bill as introduced. Subject to approval by the STC, the NMDOT may issue bonds for eligible projects, subject to the statutory average annual issuance limit of $290 million. For fiscal year 2026, bond issuance is capped at $220 million. The December 2026 bond sale is capped at $130 million, and bond proceeds cannot be used to retire previously issued bonds or debt obligations.

The increase in the weight distance tax and vehicle registration fee, as well as the introduction of the EV surcharge, will increase SRF revenue by approximately $70 million in FY27; $72.3 million in FY28; and $74.3 million in FY29. Approximately 52-55% of the increased revenue will be from the weight distance tax increase; 44-45% of the increased revenue will be from the vehicle registration fee increase; and the remaining percentage will be from the EV surcharge.

SIGNIFICANT ISSUES

None identified.

PERFORMANCE IMPLICATIONS

The restriction on FY 26 bonding authority to $220 million for the purpose of securing associated federal grant funding for projects limits the STC and the NMDOT in leveraging bonding authority in FY 2026 for other ongoing and pending projects. However, this limitation does ensure federally-funded projects are prioritized in accordance with federal grant timelines.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None identified.

TECHNICAL ISSUES

None identified.

OTHER SUBSTANTIVE ISSUES

None identified.

ALTERNATIVES

None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The NMDOT has identified more than $7.5 billion in needed but unfunded transportation projects throughout the state. A list of these projects was made public in the 2026 TRIP Report (TRIP is a private nonprofit organization that researches, evaluates and distributes economic and technical data on surface transportation issues). The Report states that the funding gap is almost six times more than it was a decade ago, when NMDOT identified only $1.3 billion in needed but unfunded projects. Road construction costs are expected to continue growing by 136% between 2025 and 2050, a 5.5% average annual growth rate. SRF revenues are expected to decline 13% by 2050. The combination of inflation and declining recurring revenue will continue to result in a reduction of projects and increase reliance on one-time appropriations to address priorities. This approach provides little predictability for the NMDOT, and contractors who struggle with long-term personnel and equipment investments.

AMENDMENTS

None suggested.