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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 2

SHORT TITLE: State Highway Project Bonds

SPONSOR: Sens. Gonzales/Muñoz/Campos/Shendo and Rep. De La Cruz

LAST ORIGINAL
UPDATE: 1/21/2026 **DATE:** 1/20/2026 **ANALYST:** Simon

REVENUE* (dollars in thousands)

| Type | FY26 | FY27 | FY28 | FY29 | FY30 | Recurring or Nonrecurring | Fund Affected |
|---------------------|-----------------|-------------------|-------------------|------------------------|------------------------|---------------------------|----------------------|
| Weight-Distance Tax | | \$37,800.0 | \$38,430.0 | \$39,235.0 | \$40,145.0 | Recurring | State Road Fund |
| Vehicle Regis. Fees | | \$31,413.3 | \$32,083.0 | \$32,753.0 | \$33,422.6 | Recurring | State Road Fund |
| EV Surcharge | | \$702.0 | \$1,799.0 | \$2,346.0 | \$2,813.0 | Recurring | State Road Fund |
| Subtotal | | \$69,915.0 | \$72,312.0 | \$74,334.0 | \$76,381.0 | | All Recurring |
| Bond Issuance | Up to \$220,000 | Up to \$290,000 | Up to \$290,000 | \$100,000 to \$290,000 | \$100,000 to \$290,000 | Nonrecurring | State Road Fund |

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation. Analysis from the Department of Transportation is not yet available and amount may be updated based on additional analysis received.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| Agency/Program | FY26 | FY27 | FY28 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|---------------------------------|------|-----------------------|-----------------------|-----------------------|---------------------------|-----------------|
| Debt Service Interest Payments | | Up to \$14,250 | Up to \$25,750 | Up to \$37,000 | Recurring | State Road Fund |
| Debt Service Principal Payments | | Up to \$15,000 | Up to \$25,000 | Up to \$38,000 | Recurring | State Road Fund |
| Total | | Up to \$29,250 | Up to \$50,750 | Up to \$75,000 | Recurring | State Road Fund |

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
 Department of Finance and Administration
 Taxation and Revenue Department

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from the Department of Transportation. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 2

Senate Bill 2 (SB2) authorizes the Transportation Commission to issue up to \$1.5 billion in additional bond debt, backed by payments to the state road fund or highway infrastructure fund, including from federal revenue sources. The bill maintains the current total limit on outstanding principal amount of \$1.124 billion, while limiting annual issuances to \$290 million and prohibiting the commission from using proceeds of the bonds to refinance current debt owed by the department. Bond proceeds would be repaid from the state road fund or from federal revenues.

The bill includes additional revenue to the state road fund, including a 35 percent increase to the weight-distance tax, a 25 percent increase 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 \$69.9 million in FY27, rising to \$76.4 million by FY30.

The bill would require the Department of Transportation submit a list of projects to be financed by bonds authorized by the bill to the Legislature and the Department of Finance and Administration as part of the agency's annual budget request, including a detailed justification for projects selected for funding.

Effective Date Language: The bill includes effective dates for different provisions. 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, 2026. Section 3 (creation of new EV fees) and Section 4 of the bill (distribution of EV revenue) would be effective January 1, 2027. Section 6 of the bill (authorizing the commission to sell bonds) does not include an effective date and would become effective 90 days after the end of the legislative session, or May 20, 2026.

FISCAL IMPLICATIONS

Bonding Authorization. NMDOT currently has outstanding debt principal of \$498 million (a portion of this will be paid off by the department in June, shortly after the bill would go into effect), with additional interest payments of \$53 million between FY27 and FY31. NMDOT's current debt portfolio will be completely repaid before FY32. The bill 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. The bill would authorize the commission to issue up to \$220 million in FY26 and up to \$130 million in the first half of FY27. In FY27 and subsequent years, the commission may issue up to \$290 million per year, spreading the total of \$1.5 billion authorized by the bill over many years. While the total amount available for the department would vary based on how quickly the commission issues bonds and how the debt repayment is structured, the bill could result in up to \$220 million from 2026 bonds available for road construction projects in FY27, up to \$290 million in additional revenue from 2027 bonds

available for road construction projects in FY27 or FY28, and up to \$290 million in 2028 bonds available for road construction projects in FY28 or FY29.

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 (FY26) | \$497,465 | \$220,000 | \$717,465 | \$220,000 |
| As of July 1, 2026 (FY27) | \$411,565 | \$290,000 | \$921,565 | \$510,000 |
| As of July 1, 2027 (FY28) | \$310,080 | \$290,000 | \$1,110,080 | \$800,000 |
| As of July 1, 2028 (FY29) | \$214,245 | \$109,755 | \$1,124,000 | \$909,755 |
| As of July 1, 2029 (FY30) | \$113,615 | \$100,630 | \$1,124,000 | \$1,010,385 |
| As of July 1, 2030 (FY31) | \$7,955 | \$105,660 | \$1,124,000 | \$1,116,045 |
| Future Years | | \$383,955 | | \$1,500,000 |

Source: LFC Files

Nothing in the bill would require the commission to issue the full amount available in each fiscal year, although were the commission to do so, the total available for road projects would increase by between \$200 million and \$300 million in FY27 through FY29 (assuming bonds sold in FY28 mostly financed road construction projects in FY29), before falling to about \$100 million per year (NMDOT's current debt is structured to pay off about \$100 million in principal per year). Assuming future debt is structured similarly to maintain stable debt service payments over time, this would allow the commission to issue about \$100 million per year through FY35. Based on the maximum issuance included in the bill, more than half of the total \$1.5 billion could be issued in the first three years.

The Department of Finance and Administration (DFA) notes the Transportation Commission is well placed to monitor that the issuance of bonds aligns with project readiness, but the bill would also provide the commission with sufficient flexibility to manage the long-term repayment schedule for the bonds. The commission could choose to issue less than the maximum allowed by the bill to provide more stable issuance over time. Analysis from DFA notes one of the goals of the bill is to provide more stability and predictability in transportation revenue. Were the commission to front-load the bond issuance, it could lead to future requests from the department to increase revenue or authorize additional debt to maintain \$200 million to \$300 million of project funding per year.

The bill 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 coupon rate—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 a 5 percent coupon rate, but the New Mexico Finance Authority (NMFA), which issues NMDOT bonds, reports a net interest rate on that sale of 0.917 percent and a true interest rate (which accounts for the time value of money due to inflation) of 0.786 percent. At

the time, interest rates were low, so the department received a significant premium to account for low rates. The department's most recent bond sale in 2024 carried a net interest rate of 3.372 percent and a true interest cost of 3.25 percent. Conversations with NMDA staff indicate current interest rates for tax exempt bonds of 2.17 percent.

Because the bill only authorizes the sale of the bonds, any projection of possible costs is speculative. But if NMDOT were to issue \$220 million in debt in FY26 and \$130 million in debt in the first half of FY27 and pay a 5 percent coupon rate, that could add up to between \$14 million and \$15 million in interest on that debt in FY27. Additionally, it is unclear if NMDOT would immediately begin making principal payments. This analysis assumes the agency would begin a small principal payment in the first year, based on conversation with NMDOT staff. However, the commission has flexibility to structure the debt repayment in a manner that best meets the needs of the department and could defer making payments on principal until after the department's current debt is retired in FY31.

State Road Fund Revenue. SB2 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. The bill would increase the weight-distance tax rates by 35 percent. Based on NMDOT's January 2026 revenue estimates, this could add \$37.8 million in FY27, rising to \$40.1 million in FY30. 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, the bill 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. The bill adjusts the distribution formulas for registration fees so that 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 time of the last weight-distance tax increase). As noted above, inflation in road construction costs have drastically reduced the purchasing power these registration fees offer to the department. The additional revenue from registration fees could bring in about \$31.4 million in FY27, based on January 2026 state road fund revenue estimates, rising to \$33.4 million in FY30.

Finally, the 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 anticipates fuel taxes will account for about 44 percent of road fund revenue in FY27. This has posed challenges to state departments of transportation as increased fuel efficiencies has meant road users are paying less to maintain roadways and the increased adoption of zero-emission vehicles, which do not require gasoline or

diesel and thus do not pay these taxes. Wider adoption challenges this traditional model of funding highway construction and maintenance projects. One strategy some states have used to is to charge an specific registration fee for electric vehicles and plug-in hybrid vehicles.

According to the National Conference of State Legislatures, 38 states have adopted fees for electric or hybrid vehicles. While the details of these fee programs vary by state, fees can range from \$45 to \$240.

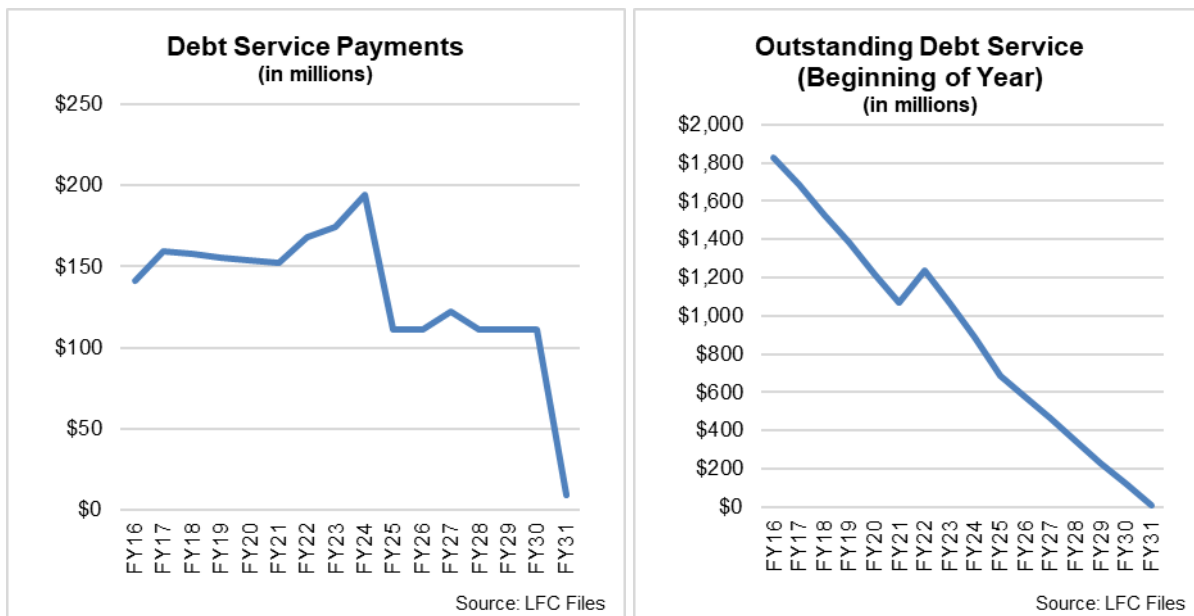
The bill would create a new registration fee for electric vehicles and plug-in hybrids, beginning in calendar year 2027. The fee for electric vehicles would be \$70 in 2027, \$80 in 2028, and \$90 in 2029 and future years. Fees for plug-in hybrids would be \$35 in 2027, \$40 in 2028, and \$45 in 2029 and subsequent years. Revenue estimates from NMDOT or the Taxation and Revenue Department were not available at the time of the FIR, but will be updated when received. Revenue estimates above were based on amounts reported by NMDOT for prior legislation.

NMDOT estimates a total of 16 thousand full electric vehicles in New Mexico in 2027 and 8,000 plug-in hybrids. Because this fee is effective January 1, 2027, only half of the annual revenue would be received that year.

SIGNIFICANT ISSUES

Although NMDOT currently has outstanding debt service payments of \$563.4 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 \$110 million per year between FY26 and FY30, before falling to \$8.8 million in FY31. The department could structure the debt issuance to make interest only payments between FY27 and FY30, and begin paying a larger portion of the bond issues beginning in FY31.



The issuance of debt for road construction represents a 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. NMDOT reports significant need for investments in road infrastructure. Specifically, the department has reported a funding gap of \$471.6 million on priority projects that are anticipated to begin in FY27 through FY29.

Issuing new debt would allow the department to undertake additional road construction projects in the short term, and spread payments 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 and in heavy equipment needed for these projects. 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 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.

The bill 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 of the selection of each projects;
- 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.

PERFORMANCE IMPLICATIONS

NMDOT reports that as of 2024, 7,080 miles of roadways maintained by NMDOT were in poor condition. As recently as 2021, the department reported that 1,451 miles of roadway were in poor condition. While 84 percent of interstate miles and 81 percent of National Highway System miles remain in fair or better condition, the reported conditions are significantly lower than in recent years. More information on NMDOT's reported road conditions over time can be found on LFC's report card [dashboard](#).

JWS/dw/rl

Appendix: Proposed Changes to Registration Fees

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 Fees¹

| 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