NEW MEXICO LEGISLATURE

TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

2015 INTERIM FINAL REPORT

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Interim summary

Transportation Infrastructure Revenue Subcommittee
2015 Interim Summary

The Transportation Infrastructure Revenue Subcommittee held five meetings in 2015. Two pieces of legislation were endorsed for referral to the Revenue Stabilization and Tax Policy Committee at the subcommittee's final meeting on November 3-4.

The subcommittee was created by the New Mexico Legislative Council on April 27, 2015 to identify current and new sources of revenue and to develop recommendations to meet the needs of New Mexico's businesses and residents for transportation infrastructure.

Presentations to the subcommittee predominantly addressed three topics:

1) the service demand, funding projections and challenges to the transportation systems maintained by the Department of Transportation (DOT);

2) the challenges to achieving the transportation-related safety, service and economic development goals faced by municipal and county governments; and

3) alternative methods to fund transportation infrastructure.

I. New Mexico's Transportation Systems, DOT Operations and Transportation Funding Challenges

A. New Mexico's Highway System

Regional Highlights. At the beginning of the interim, the DOT provided a brief overview of the state system on a district-by-district basis, noting the following.

District 1 — the Santa Teresa port of entry is experiencing over 70,000 truck shipments per year. The expectation is that trans-border freight shipments will increase with a "locked" freight train service, with border inspections carried out at the loading facilities instead of at the border crossing. Near Glenwood, State Highway 174 had severe flooding damage that needs to be fixed. This is a popular route for tourists and residents going to the Catwalk Trail in the Gila National Forest.

District 2 — the southeastern region of the state saw an unprecedented amount of commercial truck traffic in the last year and an increase in motor vehicle accidents and fatalities. The DOT spent considerable effort on State Highway 529 between Hobbs and Artesia putting in shoulders and safety features.

District 3 — encompassing most of the Bernalillo-Sandoval-Valencia counties metropolitan area, this district has the greatest traffic volume in the state. The DOT successfully completed the Paseo del Norte interchange last year.

District 4 — the northeastern part of the state's road system received a lot of snow this past winter, causing road closures and destabilization of road conditions.

District 5 — this district stretches from Santa Fe to the Four Corners area. The DOT completed a reconstruction of U.S. Highway 64 connecting Farmington and Bloomfield, widening the highway to six lanes.

District 6 — this district, centered on Cibola, McKinley and Catron counties, encompasses a large portion of U.S. Route 491 running between Gallup and Farmington. This roadway has the highest fatality rate of any highway in the state. The DOT has received funding for improvements on this corridor, and they are under way.

Reliance on Federal Funding. A recurring point raised at the subcommittee's meetings is that approximately 50% of the state's road construction funding comes from federal programs. Traditionally, federal highway programs had been authorized on five- or six-year cycles with a sufficient, dedicated revenue source that state transportation programs had come to rely upon. In recent years, the dedicated revenue stream derived from an 18.4 cents per gallon (cpg) federal gas tax has not kept up with expenditures, resulting in Congress passing numerous short-term highway funding measures. In June, Secretary of Transportation Tom Church said that the thirty-fourth short-term funding measure was about to expire, and that approximately $630 million in state road projects would be placed in limbo without further congressional action. He explained that long-term funding reliability is critical to maintaining project development. The planning process for transportation projects typically takes six years. Initial development is done on the local or regional level and integrated into a transportation improvement plan (TIP). The TIPs are then incorporated into the state transportation improvement process and then the projects are eligible for federal matching funds.

On December 3, 2015, Congress passed the Fixing America's Surface Transportation Act (FAST Act), a five-year authorization bill. The subcommittee had completed its interim schedule prior to passage of the FAST Act, so it did not have an opportunity to review the legislation or the degree of funding reliability it may provide. However, numerous reports about the FAST Act have cited concerns about the insufficiency of dedicated funds to meet the authorized spending levels.

Assets. The DOT reported that it maintains $5.5 billion in depreciable roadway assets, including 30,000 lane miles of roadways and 3,768 rail, pedestrian and culvert bridges. Maintaining roads in "good" condition is significantly less expensive than renovating roads in "poor" condition. Therefore, the aim of the DOT's pavement preservation program (entailing chip seals, overlays, etc.) is for a 10-year cycle, or 3,000 lane miles per year. However, the goal based on available funding has been approximately 2,750 lane miles per year. The DOT reported that the percentage of roads rated in "good" condition dropped from 80% in fiscal year (FY) 2014 to 70% in FY 2015. However, the report indicated that the drop was primarily due to the inclusion of additional routes to the DOT's reporting categories. The College of Engineering at

New Mexico State University (NMSU) reported that it is working with the DOT to test "inverted pavement", which is a new process that may increase the per pavement cost of new construction, but could have long-term maintenance cost savings.

The DOT's operations program reported that it has $247 million in equipment. Within the DOT's replacement criteria, 55% of its equipment is rated as "critical", with an additional 20% rated as "poor".

Staffing and Operations. Secretary Church reported that the DOT had a vacancy rate for an authorized workforce of 2,400 full-time-equivalents for FY 2014 of less than 11% and had completed 73 projects costing $310.6 million at a total of 1% over bid. Both the vacancy and over-bid rates were the lowest in several years. A goal for this year has been to improve its ability to meet project schedules. In November, the DOT internal engineering and design team (the Office of Infrastructure Divisions) reported delivering 77 projects for FY 2015 at a 69% "on time" rate.

A concern raised by the DOT was an ongoing loss of experienced staff, both in equipment drivers with commercial driver's licenses (CDLs) and in engineering staff. The DOT reported its salary rate for engineers is about 20% below private sector rates. The pay differential for CDL drivers, particularly for drivers working in the oil industry, is much greater. NMSU also cited the pay differential for engineers. NMSU reported on programs it has been developing to build student interest in civil engineering at both the high school and college levels to increase the pool of graduating civil engineers for the New Mexico market.

Budget. The DOT projected a funding gap in FY 2016 of $469.3 million for its road and highway program; $107 million for its maintenance program; and $362.3 million for its construction program. Complicating the funding situation, the DOT reported that service of its long-term debt obligations amounts to 55% of its construction budget. Further, winter weather events in an "El Niño" year could exceed projections. If that happens, the DOT will need to reallocate funding from other programs for snow removal and emergency repairs.

B. General Aviation Airports

The DOT's Aviation Division reported to the subcommittee that it maintains two state-owned airports at Conchas Lake and Navajo Lake and provides support for 52 other publicly owned public-use airports and heliports in New Mexico. The division is financed through the State Aviation Fund, primarily derived from a gross receipts tax on jet fuel, which has maintained an average balance of $6 million annually in recent years. The Aviation Division engages in safety training, manages state and federal grant programs and regulates runway conditions and other aviation safety measures. The division estimates that the need for improved aviation infrastructure in the state is currently approximately $240 million. To meet this need, the division has been averaging $20 million per year in distributed federal and state grants.

Every five years, the division contracts for a study of the aviation industry in New Mexico. A new report is due next year.

C. Bus and Rail Commuter Service

The DOT reported that its intercity Park and Ride bus service is maintaining ridership of approximately 315,000 per year and has added a new route in Dona Ana County. In response to House Memorial 127 from the 2015 session, the DOT also provided a report on the Rail Runner service between Belen and Santa Fe; its costs and the feasibility of selling the Rail Runner assets; and the cost of replacing the service with buses. Rail Runner assets include approximately 113 miles of rail tracks and right of ways, 22 passenger cars, nine locomotives and 14 stations. The DOT incurred a debt obligation of $693 million to acquire these assets and has currently about $475 million in remaining debt obligation. However, operation and maintenance for the Rail Runner are provided by the Rio Metro Regional Transit District (Rio Metro) under an agreement with the DOT. Rio Metro's annual Rail Runner costs are approximately $27 million. Funding is derived from a combination of federal grants, gross receipts tax revenue, fare revenues and track usage fees paid by BNSF and Amtrak.

The DOT reported that challenges to selling the Rail Runner include: 1) current contractual obligations with BNSF and Amtrak that cannot be transferred without the approval of those companies; 2) agreements with local, tribal and federal governments for the rights of way for the service that would need their review; 3) the DOT's debt service obligations that will remain whether the Rail Runner is operating or not; and 4) finding a third party that could operate the service at a profit and, therefore, be willing to purchase the Rail Runner. The DOT estimated that replacing the Rail Runner with a bus service would require the purchase of 50 buses and an annual operating budget of $15 million.

While the DOT concluded that selling and replacing the Rail Runner service was likely not feasible, it did draw the subcommittee's attention to the structure of the debt obligation. Over the next several years, the DOT's annual Rail Runner debt payments will grow from over $26 million to nearly $30 million. However, the DOT will be required to make cliff payments of almost $110 million in both FY 2025 and FY 2026.

II. The Priority for Transportation Infrastructure at the Local Level: New Demands and Funding Perspectives

During the 2014 interim, the subcommittee heard presentations on how the status of local and county roads affected the economic growth and safety concerns for the Santa Teresa area, the Village of Los Lunas and Eddy County. Building on that experience, this year, the subcommittee focused a great deal of attention on the transportation demands and challenges faced by local governments. The subcommittee received presentations on the transportation needs of nine municipalities and four counties. In addition, the subcommittee received presentations from the New Mexico Municipal League (NMML), the New Mexico National Complete Streets

Leadership Team (N.M. Complete Streets) and from the DOT on the Local Governments Road Fund (LGRF).

Common issues raised in these presentations included: 1) every municipal and county government reported difficult or inadequate budgets to meet their transportation needs for economic growth or safety; 2) local resident and business transportation priorities are changing, and many communities have established new programs to create walkable/bikeable neighborhoods or town centers to meet the new demands; and 3) the LGRF has averaged $23 million for statewide distribution over the last five years. The LGRF provides much-needed assistance to local governments, but it is small and funding can be variable. In addition, the NMML stated that increasing revenues from fuel taxes was one of its priorities. This sentiment was echoed by many municipal officials who stated that they would support, or their residents would likely support, either a local government gas tax option or a statewide gas tax dedicated to road improvement.

A presentation by N.M. Complete Streets included city councilors from two municipalities (Albuquerque and Santa Fe) that did not give presentations to the subcommittee. This presentation echoed reports from a number of local governments that the demand for bike paths and pedestrian-friendly shopping areas and neighborhoods has changed local transportation planning. To cite a few examples, N.M. Complete Streets reported that a Complete Streets ordinance had been endorsed by the Albuquerque Chamber of Commerce to promote business growth; Silver City reported that it was developing a plan for a "car free" neighborhood to accommodate the growing number of retirees in its community; and the Farmington Metropolitan Planning Organization reported that a survey within the Farmington/Bloomfield/Aztec area had determined that incorporating Complete Streets concepts in a redesign of those municipalities for quality of life and downtown rejuvenation is something their residents want and are willing to pay for.

III. Potential Funding Options for Transportation Infrastructure

Motor Vehicle Excise Tax (MVET). The subcommittee reviewed the history of the MVET and the ramifications for dedicating it to the State Road Fund. The MVET provides approximately $146 million to the general fund. Subcommittee discussions on this topic centered on either increasing other revenues to replace the MVET within the general fund or phasing in a reallocation of the MVET to the State Road Fund over a period of five or 10 years.

County and Municipal Gasoline Tax Act (CMGTA). The CMGTA allows municipal and county governments within class A and H class counties to impose a local tax on gasoline up to 2 cpg. In 2014, the subcommittee endorsed legislation to extend the authority provided under the CMGTA to municipalities and counties statewide. It also would have extended the local taxing authority to include diesel fuel. However, the existing CMGTA was enacted in 1978 and has never been implemented by a local government. The subcommittee received presentations from the Taxation and Revenue Department (TRD) and the NMML about whether the existing statute is workable. There was general agreement that the existing statute would be very difficult or impossible to implement. However, the two entities disagreed on the desirability of a local gas taxing authority. The TRD disfavors retail collection of fuel taxes, in part because of the complications of implementing the auditing and appeals processes that should be included in a tax system. The NMML stated that a local tax option for transportation is needed and that municipal governments have the administrative capacity to implement local taxes.

Fuel Tax Models. The subcommittee received presentations on the structure and goals of fuel tax programs enacted in 2015 by four different states: Georgia, Kentucky, North Carolina and Utah.

- Georgia replaced a four percent gas sales tax with an initial 26 cpg excise tax, which is an effective increase of 6 cpg. The new excise tax is indexed to fuel efficiency and the Consumer Price Index (CPI). 2014 will be used as a base year to determine the average miles per gallon (AVMG) of all new vehicles registered in the state. Starting in 2016, Georgia's gas tax will vary each year based on a two-step formula. First, the percentage of positive or negative change in the AVMG for the previous year is calculated (for 2016, this will be the AVMG for new registered vehicles in the year 2015 compared to those registered in 2014). The initial 26 cpg will then be multiplied by that percentage and the resulting increase or decrease will then be added to it, establishing a "preliminary gas tax rate". Second, the preliminary gas tax rate is then multiplied by the positive or negative change in the CPI to determine the new gas tax rate for the year. Georgia's gas rate formula will not include the CPI after 2018.

- Kentucky raised its gas tax floor from 21.1 cpg to 26 cpg. The tax consists of two parts: a flat rate of 6.4 cpg; and a variable rate equal to 9% of the average wholesale price of gasoline. The new tax will be calculated once a year based on the prior year's wholesale prices and cannot rise more than 10 cents in a year.

- North Carolina set 34 cpg as the gas tax base rate. Beginning in January 2017, the law establishes a growth index combining 75% of the change in population and 25% of the change in the CPI for all urban consumers. The tax rate will then be calculated annually by adding the percentage change in the growth rate to the 34 cpg base rate.

- Utah replaced a 24.5 cpg gas tax with a 12% tax on the average wholesale price per gallon in the state. The rate will be adjusted based on any upward changes in the CPI or the wholesale gas price, whichever is greater. The rate is capped once the wholesale price reaches $3.33 per gallon. In addition, local governments may impose a .25% sales tax for transportation.

IV. Reviewed Legislation and Recommendations

The subcommittee received a presentation on efforts around the country and in New Mexico to increase the size of the natural gas vehicle (NGV) market. NGVs have lower carbon emissions than other vehicles, and the development of this market has been cited as a goal in the new state energy plan. This presentation was given at the last meeting of the interim, and no related legislation was proposed for review. However, the subcommittee voted unanimously to recommend that a study be done to examine the potential to foster the market for NGVs in New Mexico.

The subcommittee reviewed the following two legislative proposals and voted without objection to have them submitted to the Revenue Stabilization and Tax Policy committee for potential endorsement.

Discussion draft .202268 — This is a proposed constitutional amendment that would dedicate the use of revenues raised from any new motor vehicle fuel tax or fees to transportation infrastructure costs.

Discussion draft .202319 — This bill would requiring drivers to slow down and, if possible, move to an adjacent lane when approaching stationary roadside repair and towing vehicles that are working on a broken down vehicle. The same requirement now exists when approaching stationary emergency vehicles with their lights or sirens on. Violations of this requirement would be cited as a "failure to yield" under the Motor Vehicle Code and subject to a $25.00 fine.

WORK PLAN AND MEETING SCHEDULE

2015 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

Members

Sen. John Arthur Smith, Chair
Rep. Rick Little, Vice Chair
Rep. Cathrynn N. Brown
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Ron Griggs
Rep. Patricio Ruiloba
Sen. Clemente Sanchez

Advisory Members

Sen. Jacob R. Candelaria
Sen. Carlos R. Cisneros
Rep. Sharon Clahchischilliage
Rep. David M. Gallegos
Rep. Bealquin Bill Gomez
Rep. D. Wonda Johnson
Rep. Patricia A. Lundstrom
Rep. Rod Montoya
Rep. Paul A. Pacheco
Sen. William H. Payne
Rep. Jane E. Powdrell-Culbert
Sen. William E. Sharer

Work Plan

The New Mexico Legislative Council created the Transportation Infrastructure Revenue Subcommittee on April 27, 2015 to identify current and new sources of revenue and develop recommendations to meet the needs of New Mexico's businesses and residents for transportation infrastructure.

During the 2015 interim, the Transportation Infrastructure Revenue Subcommittee proposes to review and discuss the following topics, as time permits:

A. <u>transportation planning and infrastructure needs within the state, including</u>:

(1) the costs to meet the maintenance, reconstruction and expansion needs for the state highway and road system, with particular examination of:

(a) the structural integrity of New Mexico's highways and bridges;

(b) the possible expansion of road systems needed to meet infrastructure demand in oil-producing areas;

(c) the condition and safety of rural roads and highways and whether increased summer rain creates a need for a change in road design or maintenance cycles; and

(d) the findings from the Department of Transportation (DOT) during its development of a long-range road and highway plan;

(2) the need and costs to maximize job creation and economic growth at intermodal freight rail centers, including:

(a) the possible benefits and challenges of a north-south connector road from the Santa Teresa port of entry to Las Cruces and the initial planning required;

(b) the impact of anticipated intermodal freight rail installations in McKinley County; and

(c) review of the efficacy of the freight rail tax incentives previously enacted into law;

(3) incentives used by other states to promote combined land use and transportation planning at local and regional levels to meet changing demands;

(4) technological advances such as "smart" traffic systems to decrease congestion and commuter times;

(5) the condition of New Mexico's general aviation airports, particularly with regard to emergency response needs;

(6) the airspace market in New Mexico and the economic effects of rapidly rising costs for airspace agreements; and

(7) acquisition costs for rights of way for proposed corridors such as Paseo del Volcan in Bernalillo and Sandoval counties and the West Loop in Dona Ana County;

B. <u>funding mechanisms and debt challenges, including</u>:

(1) the benefits of rededicating certain fuel tax and other "user fee" receipts that have been diverted to other accounts back to road maintenance and construction programs;

(2) the methods recently implemented by other states to raise transportation funds — looking at both the relative success of other states in closing their funding shortfalls and the advantages and disadvantages of single-source funding streams;

(3) the potential for a strategic plan to use severance tax bond revenues for transportation and other public infrastructure;

(4) local government apportionments from fuel tax receipts;

(5) the benefits and drawbacks of changing New Mexico's weight distance fees;

(6) industry-government cost-sharing agreements;

(7) the outstanding debt obligations for transportation infrastructure, such as the Spaceport Road and the Rail Runner; and

(8) disposition and valuation of DOT assets, properties and utility rights of way; and

C. <u>the implications of changing federal funding patterns for state transportation infrastructure programs</u>.

Transportation Infrastructure Revenue Subcommittee
2015 Approved Meeting Schedule

Date	Location
June 1	State Capitol, Santa Fe
July 1	State Capitol, Santa Fe
August 24	State Capitol, Santa Fe
October 5	State Capitol, Santa Fe
November 3-4	State Capitol, Santa Fe

AGENDAS AND MINUTES

TENTATIVE AGENDA
for the
FIRST MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

June 1, 2015
Room 309, State Capitol
Santa Fe

<u>Monday, June 1</u>

10:00 a.m.		**Call to Order** —Senator John Arthur Smith, Chair
10:15 a.m.	(1)	**<u>Status Update — Department of Transportation (DOT)</u>** —Secretary Tom Church, DOT
10:45 a.m.	(2)	**<u>2015 Legislation Summary</u>** —Mark Edwards, Staff, Legislative Council Service (LCS)
11:00 a.m.	(3)	**<u>2015 Tentative Interim Work Plan and Meeting Schedule</u>** —Mark Edwards, Staff, LCS
12:30 p.m.		**Adjourn**

MINUTES
of the
FIRST MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

June 1, 2015
Room 309, State Capitol
Santa Fe

The first meeting of the Transportation Infrastructure Revenue Subcommittee (TRANS) was called to order by Senator John Arthur Smith, chair, on June 1, 2015 at 10:00 a.m. in Room 309 of the State Capitol.

Present	**Absent**
Sen. John Arthur Smith, Chair	
Rep. Rick Little, Vice Chair	
Rep. Cathrynn N. Brown	
Sen. Lee S. Cotter	
Rep. Roberto "Bobby" J. Gonzales	
Sen. Ron Griggs	
Rep. Patricio Ruiloba	
Sen. Clemente Sanchez	

Advisory Members	
Sen. Carlos R. Cisneros	Sen. Jacob R. Candelaria
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Rep. Rod Montoya	Rep. D. Wonda Johnson
Rep. Jane E. Powdrell-Culbert	Rep. Paul A. Pacheco
	Sen. William H. Payne
	Sen. William E. Sharer

Staff
Mark Edwards, Legislative Council Service (LCS)
Pam Stokes, LCS
David Jenkins, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and written testimony are in the meeting file.

Monday, June 1

The chair reminded everyone that road systems form basic and important infrastructure in each community and then requested members to introduce themselves.

Status Update — Department of Transportation

Tom Church, secretary of transportation, began by introducing several Department of Transportation (DOT) staff members. In particular, he noted that DOT General Counsel Loren Hatch had been promoted to deputy secretary. Mr. Hatch is currently serving as acting general counsel as well as deputy secretary.

Secretary Church then directed the subcommittee's attention to budget charts on pages 4 and 5 of the DOT's annual report (*see* handout). Approximately half of the DOT's financing consists of federal dollars. Secretary Church expressed concern that federal funding cycles for highway programs have become very short term and uncertain. Current expenditures from the federal Highway Trust Fund rely on an appropriation that is expected to last for two months.

Secretary Church noted that development of transportation projects is done through the state transportation improvement process (STIP). The STIP creates a priority list for DOT construction and maintenance operations that is updated on a rolling basis as funding is available. Projects are typically conceived of at the local or regional level and incorporated into the statewide plan when they reach a certain level of design. However, particularly for large, new projects, incorporation into the STIP is typically measured in years. Furthermore, at key points in the process, continued project development is not allowed until a funding source has been identified. Thus, instability of federal funding has the potential to disrupt state priority planning as some design and development schedules are delayed. Responding to a question from a subcommittee member, Secretary Church indicated that projects that are ready for their next stage of development or construction move up the queue as federal funds are made available.

Secretary Church raised a further concern that the current nature of the federal funding process raises the potential to stop DOT operations. He stated that if Congress fails to agree on a continuance of funding after the current two-month authorization, it would leave up to $670 million in active projects in New Mexico in limbo.

Moving on to an overview of DOT operations, Secretary Church first expressed satisfaction in two management areas: 1) the DOT now has a vacancy rate under 11% out of a maximum work force of 2,400 full-time-equivalent staff; and 2) 73 projects costing $310.6 million were closed in fiscal year (FY) 2014 at a total of 1% over bid. Both the vacancy and over-bid rates for FY 2014 are the lowest in several years. Conversely, he indicated that meeting project schedules was an area that the DOT would need to improve upon this coming year.

Secretary Church then outlined some of the major programs and assets that the DOT manages. He mentioned that:

- the Aviation Division works with 54 airports around the state to monitor runway conditions as a requirement for leveraging federal funding. He noted that a $1 million funding increase by the legislature a couple of years ago had been essential to meeting the division's responsibilities;

- the intercity Park and Ride bus service has maintained a stable ridership of approximately 315,000 per year and has added a new route in Dona Ana County; and

- although the Rail Runner commuter rail continued to have more than one million annual rider trips in FY 2014, that ridership had decreased slightly from FY 2013. He remarked that decreases in commuter ridership are historically connected to decreases in gasoline prices.

In conjunction with the DOT's road program, Secretary Church highlighted the 31 highway rest areas that are managed by the DOT. He indicated that the refurbishment and remodeling of these facilities is a continuing concern for the department, noting that most of the rest areas were built 40 to 60 years ago and the importance of highway rest stops to the state's tourism industry.

Turning to the road system, Secretary Church stated that the DOT has moved to an automated system to provide a complete picture of roadway conditions. The prior methodology characterized random samples of the system, which proved inadequate. The DOT's roadway maintenance includes a pavement preservation program (chip seal, overlays, etc.) covering approximately 3,000 lane miles per year. In addition, Secretary Church stated that in FY 2014, the DOT had installed safety fencing equivalent to a fence running from Gallup to Santa Rosa.

Secretary Church then provided particular items of interest for each transportation district, noting the following.

District 1 — the Santa Teresa port of entry is experiencing more than 70,000 truck shipments per year. Also, the expectation is that trans-border freight shipments will increase with a "locked" freight train service with border inspections carried out at the loading facilities instead of at the border crossing. Near Glenwood, State Highway 174 had severe flooding damage that needs to be fixed. This is a popular route for tourists and residents going to the Catwalk Trail in the Gila National Forest.

District 2 — the southeastern region of the state saw an unprecedented amount of commercial truck traffic in the last year and an increase in motor vehicle accidents and fatalities. The DOT spent considerable effort on State Highway 529 between Hobbs and Artesia putting in shoulders and safety features.

District 3 — encompassing most of the Bernalillo-Sandoval-Valencia counties metropolitan area, this district has the greatest traffic volume in the state. The DOT successfully completed the Paseo del Norte interchange this last year.

District 4 — the northeastern part of the state's road system received a lot of snow this past winter, causing road closures and destabilization of road conditions.

District 5 — this district stretches from Santa Fe to the Four Corners area. The DOT completed a reconstruction of U.S. Route 64 connecting Farmington and Bloomfield, widening the highway to six lanes. District Engineer Miguel Gabaldon retired in May. Habib Abi-Khalil is now the action district engineer.

District 6 — this district, centered on Cibola, McKinley and Catron counties, encompasses a large portion of U.S. Route 491 running between Gallup and Farmington. This roadway has the highest fatality rate of any highway in the state. The DOT has received funding for improvements on this corridor, and they are under way.

Secretary Church then reported on a recent settlement of penalties assessed against federal agencies for a radiation leak at the Waste Isolation Pilot Plant (WIPP). He stated that WIPP is to receive a total of $46 million for road improvements for routes that are used for hauling radioactive waste. Twelve million dollars will be paid by the United States Department of Defense (Defense Department), and $34 million will be paid by the United States Department of Energy (DOE). The Defense Department funds must be used for roads in the immediate area of Los Alamos National Laboratory, while the DOE funds may be used on any of the 2,500 miles of designated WIPP routes in New Mexico.

Responding to questions from subcommittee members, Secretary Church stated that the settlement amount reflects discretionary funds that the Defense Department and DOE are authorized to spend without new legislation from Congress. He then explained that road reconstruction costs approximately $1 million per mile of road lane. Thus, on a four-lane highway, reconstruction would cost $4 million per mile. Therefore, the DOE funds will need to be targeted to limited, specific portions of the WIPP routes. He mentioned that improvements to U.S. Route 285 north of the state border with Texas would be a good candidate for these funds. More generally, he noted that designated federal funding for WIPP routes had run out at the end of FY 2012. Secretary Church stated that New Mexico has the most extensive network of radioactive waste corridors of any state, and maintenance for these routes needs a stable funding stream.

The subcommittee requested staff to write a letter to members of the New Mexico congressional delegation asking them for clarification on when the settlement funds would be made available to the state.

The subcommittee then entered into a general discussion about the planning process for road projects. Secretary Church outlined the process required by the federal highway programs — currently authorized under the federal Moving Ahead for Progress in the 21st Century Act (referred to as MAP-21). Road projects are initially developed by the local metropolitan or regional planning organization and incorporated into a transportation improvement plan (TIP). Prior to starting the project design, a funding source must be identified for the project. The TIP process works on a three-year cycle. The local TIPs are then incorporated into the STIP. The STIP sets statewide priorities for roadway construction and maintenance on a rolling basis as funding is available. The entire TIP-through-STIP process takes six years.

A subcommittee member inquired about delays in moving priority projects. Referring to his earlier remarks, Secretary Church said that Congress's inability to pass long-term highway funding authorizations is hampering the planning process mandated by federal law. Some projects that are prioritized in the local TIPs end up being delayed because they cannot move into the design phase without an identified funding source. Asked by a subcommittee member whether the recent stop-and-go federal funding would ever stop the queue of projects in the STIP, Secretary Church said no. The DOT strives never to let available federal funding sit unused; instead, any projects that are ready for their next phase — design or construction — move up in the queue.

Replying to a question about how priorities are set within the STIP, Secretary Church indicated that concerns about maintaining the structural integrity of roadways and safety conditions often outweigh economic projections. He noted that the metrics for safety and roadway conditions tend to be much more accurate than economic projection data. A subcommittee member stressed, however, that projects such as U.S. Route 550 between Bernalillo and Farmington have demonstrated how transportation projects can produce large economic benefits. A general discussion then ensued comparing U.S. Route 550 to U.S. Route 285, a WIPP relief route between Santa Fe and Roswell. Reconstruction on both corridors was completed about 13 or 14 years ago. The contract for U.S. Route 550 was a rare deal, including maintenance that has kept it in good condition. The condition of the U.S. Route 285 corridor, however, is a serious concern.

A subcommittee member asked what the current overall DOT debt is and how much of it stems from principal, interest and major projects, such as the Rail Runner. Secretary Church said that the DOT would provide definitive figures later, but the total debt was near $1.7 billion, with $780 million derived from the Rail Runner.

Other issues raised during the subcommittee's discussion included:

- the need for restroom facilities along State Highway 28, a popular route for cycling enthusiasts in Dona Ana County;

- anticipated traffic congestion in southern Dona Ana County when the proposed rail service from Mexico to the Union Pacific terminal at Santa Teresa, New Mexico, becomes available. Secretary Church noted that that rail line is a private project and currently outside of the DOT's planning processes. The current priorities in Santa Teresa are for rehabilitation of Industrial Avenue and Airport Road;

- a proposal to develop a north-south road corridor within New Mexico connecting Santa Teresa and Sunland Park to Interstate 10. This project is estimated as a $100-million-range project; and

- a road safety campaign developing in the southeastern corner of the state. A citizens group is developing a photo journal of road conditions that may be presented to the subcommittee later in the 2015 interim.

Suggestions by subcommittee members for presentation or discussion included:

(1) a presentation on new technologies that the DOT could implement to increase the life cycle of roads; and

(2) changes in contracting that are within state control that could either reduce costs or increase the percentage of New Mexico residents working on DOT projects. A subcommittee member noted that using federal highway aid dollars requires that project contracts comply with federal statutes and regulations.

2015 Legislation Summary

Mr. Edwards reported that four subcommittee-endorsed bills were introduced in the 2015 session.

(1) Senate Bill (SB) 52 — legislation that passed and was enacted that extends the areas near commercial ports of entry with Mexico where shippers can use the 96,000-pound Mexican truck standard instead of the 80,000-pound state standard.

(2) SB 114 — legislation that would have extended county and municipal governmental current authority to impose a two-cent-a-gallon gasoline tax upon voter approval to special fuels, such as diesel. That legislation passed but was vetoed. The governor's veto message suggested that redirecting motor vehicle excise taxes from the general fund to the State Road Fund might be a better method of meeting the state's transportation infrastructure needs.

(3) House Bill 168 — would have appropriated $200,000 of severance tax bond revenues to provide engineering analyses for bridges used by school bus routes within McKinley County, but it did not receive a committee report.

(4) SB 113 — a bill to appropriate, over six years, $600 million of supplemental severance tax bond revenues to DOT projects. This bill was not reported out of the first committee to which it was referred until late in the session, and it was not reported out of the second committee.

Mr. Edwards also noted that nearly identical constitutional amendments were introduced in the house and senate by subcommittee members in the 2015 session. The amendments would have restricted motor vehicle-related taxes and fees to be used for roads and bridges or for the purposes of the State Road Fund. The amendments would have created a requirement similar to one within Wyoming's constitution, which was a subject of presentations to the subcommittee in 2014.

2015 Tentative Interim Work Plan and Meeting Schedule

Mr. Edwards walked the subcommittee through a draft work plan for the interim session (*see* handout). He first noted that, in previous years, presentations to the subcommittee had fallen within three categories:

(1) transportation planning and infrastructure needs within the state;

(2) funding mechanisms to meet those needs and the debt challenges experienced by the DOT; and

(3) implications of changing federal funding for the state's transportation programs.

Mr. Edwards then highlighted some new elements within these categories for subcommittee consideration, including: the effect of changing weather patterns, such as summer flooding in the southeastern corner of the state, on roadway life cycles; an examination of the DOT's new long-range road and highway plan; the potential of a north-south connector road from Santa Teresa to Las Cruces; a review of the relative success of differing revenue approaches implemented by Kentucky, North Carolina and Georgia; and an examination of Maine's program that leverages federal assistance to small- and moderate-sized municipalities (ranging in population from a few hundred to 40,000 or 50,000 people) for combined land use and transportation funding.

In the ensuing discussion, subcommittee members voiced interest in learning about improved road construction technologies, the effect of forest fires on road corridor soil conditions and an examination of how a shortfall in the general fund might be mitigated if motor vehicle excise revenues were allocated to the State Road Fund.

Many members expressed an interest in presentations connecting transportation infrastructure to economic growth, particularly in relation to municipal growth.

The draft work plan was approved for proposal to the New Mexico Legislative Council without objection.

Adjournment

There being no further business before the subcommittee, the first meeting of the TRANS adjourned at 12:45 p.m.

TENTATIVE AGENDA
for the
SECOND MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

July 1, 2015
Room 309, State Capitol
Santa Fe, New Mexico

Wednesday, July 1

9:30 a.m.		**Call to Order** —Senator John Arthur Smith, Chair
9:40 a.m.	(1)	**Local Governments Road Fund: Projections and Leveraging of Federal Funds** —Dolores Gallegos, Director, Project Oversight Division, Department of Transportation (DOT)
10:00 a.m.	(2)	**Town of Silver City** —Michael S. Morones, Mayor, Silver City —Alex C. Brown, Town Manager, Silver City —James R. Marshall, Assistant Town Manager, Silver City
11:00 a.m.	(3)	**City of Santa Rosa** —Jose Campos, Mayor, Santa Rosa —Tim Dodge, City Manager, Santa Rosa
12:00 noon		**Lunch**
1:30 p.m.	(4)	**City of Carlsbad — "This Is My Carlsbad Road"** —Wesley Carter, City Councilor, Carlsbad —Ernie Carlson, Chair, Mayor's Road Committee, Carlsbad —John Waters, Executive Director, Carlsbad Department of Development
2:30 p.m.	(5)	**Mechanics of Local Governments Road Fund Revenues — Reporting and Collections** —Elisa Walker-Moran, Chief Economist, Taxation and Revenue Department
3:00 p.m.	(6)	**General Aviation Airports — Status Update** —Steve Summers, Director, Aviation Division, DOT
3:30 p.m.		**Adjourn**

MINUTES
of the
SECOND MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

July 1, 2015
State Capitol, Room 307
Santa Fe

The second meeting of the Transportation Infrastructure Revenue Subcommittee was called to order by Senator John Arthur Smith, chair, on Wednesday, July 1, 2015, at 9:33 a.m. in Room 307 of the State Capitol in Santa Fe.

Present	**Absent**
Sen. John Arthur Smith, Chair	
Rep. Rick Little, Vice Chair	
Rep. Cathrynn N. Brown	
Sen. Lee S. Cotter	
Rep. Roberto "Bobby" J. Gonzales	
Sen. Ron Griggs	
Rep. Patricio Ruiloba	
Sen. Clemente Sanchez	
Advisory Members	
Sen. Jacob R. Candelaria	Rep. D. Wonda Johnson
Sen. Carlos R. Cisneros	Rep. Paul A. Pacheco
Rep. Sharon Clahchischilliage	Sen. William H. Payne
Rep. David M. Gallegos	Sen. William E. Sharer
Rep. Bealquin Bill Gomez	
Rep. Patricia A. Lundstrom	
Rep. Rod Montoya	
Rep. Jane E. Powdrell-Culbert	

Guest Legislators
Sen. Pete Campos
Sen. Nancy Rodriguez
Rep. Jeff Steinborn

Staff
Mark Edwards, Legislative Council Service (LCS)
Pam Stokes, LCS
Taylor Smith, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and are posted on the legislature's web site.

Wednesday, July 1

The meeting began with the chair generally discussing the need for the state to provide recurring dollars for road infrastructure. The chair acknowledged that increasing gasoline taxes is a controversial issue, and he stated that the subcommittee is looking at alternative revenue sources.

Local Governments Road Fund — Department of Transportation

Dolores Gallegos, director, Project Oversight Division, Department of Transportation (DOT), began her presentation with an overview of the Local Governments Road Fund (LGRF). The LGRF provides funds that allow local entities to take the lead in developing construction and maintenance projects. The state provides up to a 75% funding match for LGRF projects. For the last five fiscal years, LGRF revenues have averaged $23 million, most of which is derived from portions of the diesel fuel tax and the petroleum products loading (PPL) fee. (See the DOT handout for a complete list and breakdown of LGRF funding sources.)

Ms. Gallegos said that the LGRF is primarily distributed through four programs:

1) the Cooperative Agreement Program receives 42% of LGRF distributions and provides for collaborative projects with municipalities, counties and other political subdivisions. Funds in this program are allocated in accordance with differing categories of political subdivisions (e.g., municipalities, counties, etc.);

2) the County Arterial Program receives 26% of LGRF distributions and supports construction of county roads. Counties prioritize their projects and receive funding through a funding formula based on the road mileage that is maintained by each county;

3) the School Bus Route Program receives 16% of LGRF distributions and provides matching funding for acquisition and maintenance of school bus routes and public school parking lots; and

4) the Municipal Arterial Program (MAP) receives 16% of distributions and is primarily used to fund projects for streets that are principal extensions of rural state highways. Priority is given to projects that receive at least 25% municipal matching funding.

Ernest Archuleta, director, Operations Support Division, DOT, next noted a change in the disbursement policy. In the past, LGRF projects have included some projects that were not shovel-ready. The resulting delays in initiating projects led to a growing balance in the LGRF of unused funds. This past year, the DOT started requiring projects to be shovel-ready prior to disbursement, and the LGRF balances are projected to return to historic norms. Project completion rates have risen to 98% since the change in policy.

The subcommittee then entered into general discussion. A concern was raised that the total amount for the MAP is not large. Mr. Archuleta indicated that the limited funding is why the MAP funds are almost exclusively used for road maintenance instead of construction. It was also noted that local matching funding must come from local revenues; capital outlay funds are not allowed to be used for local matching funds.

Two other issues raised during the discussion were the allocation of funds per county and how information is disseminated to the local school districts regarding the School Bus Route Program. Ms. Gallegos said that the DOT meets with each school district semiannually to let district officials know about the application process and the funds available. However, this funding is greatly dependent on the statutory mandates for each program. Mr. Archuleta noted that some programs are required to evenly distribute funds among counties or school districts. He said that the strict requirements contribute to funding challenges in completing some projects.

Turning to funding sources for local roads and school bus routes, a subcommittee member noted that the larger share of the PPL fee was not dedicated to roads, but had been redirected to underground storage tank concerns. Another subcommittee member raised the issue of whether supplemental severance tax bond revenues currently dedicated to school construction should also be available for school bus route funding.

Town of Silver City

Alex C. Brown, town manager, Silver City, and James R. Marshall, assistant town manager, Silver City, presented on the challenges that face Silver City's transportation infrastructure and economic growth. The Town of Silver City has 76 miles of streets, five miles of which are unpaved, and a population of just over 10,000. Silver City also serves as a regional hub for over 63,000 people. Four significant contributors to the traffic demand on Silver City's streets and local highways are:

1) the Chino Mine, the second-largest copper production operation in North America, which uses a large fleet of heavy shipment trucks;

2) the Gila National Forest and Gila Wilderness, which attract large numbers of tourists annually;

3) Western New Mexico University, with a total of more than 4,400 students and faculty; and

4) Silver City's function as a regional shopping hub.

Silver City faces two particular challenges for maintaining and updating its transportation system. First, the existing infrastructure was designed with a poor drainage system. Every street project, therefore, requires costly upgrades to the sewer system in addition to the primary upgrade. Second, Silver City has a large elderly population that needs different mobility options. The Town of Silver City has partnered with the University of New Mexico and Woodbury University to develop an architecture program to analyze and develop beneficial projects that incorporate complete street principles and provide "no car needed" development where possible.

Turning to funding issues, the presenters said that Silver City has been proactive in planning for shovel-ready projects. However, planning is now averaging a two-year lead time over available funding, causing cost estimates to be out of date when construction funding becomes available. They noted that both federal and state road funding have been decreasing in recent years. Silver City has sought both community development block grant funding and colonias infrastructure project funding to help pay for materials, but both sources have restrictions on usage. (See handout for a graph of Silver City's financial structure.)

A subcommittee member asked about the contribution of the local gasoline tax distribution to Silver City's budget picture. The presenters said that the contribution is very limited. The Town of Silver City is receiving about $3.00 per mile of needed street construction, so it uses this money for pre-engineering studies. A subcommittee member also suggested that a local option fuel tax for diesel might help communities in Grant County, given the large truck fleet for the Chino Mine.

City of Santa Rosa

Joe Campos, mayor, Santa Rosa, and Tim Dodge, city manager, Santa Rosa, presented on behalf of the City of Santa Rosa. Santa Rosa has a population of more than 2,700 people and has 12.77 miles of streets. It is a highway crossroads, receiving significant tourist and trucking traffic from U.S. Interstate 40, U.S. Highway 91, U.S. Highway 84 and U.S. Highway 54. Mayor Campos stated that Santa Rosa is in need of $6 million for road construction and maintenance. He noted that municipal street reconstruction is costly because projects are required to include the water and wastewater utility lines beneath the road. He said that revenues from the gasoline tax had been flat for many years but construction costs have continued to climb. The result for a city like Santa Rosa is a projected annual shortfall of $400,000 between revenue and needed road construction and maintenance.

Mayor Campos said that Santa Rosa has become creative in finding opportunities for economic development. The city is known for its lakes, and it has succeeded in building a tourism and family recreation industry centered on them. The City of Santa Rosa has invested in a diving center where divers travel from around the country to be certified in diving and in an inflatable water park for family recreation. Mr. Dodge noted that aside from diversifying Santa Rosa's economy, investment in the lake facilities has also benefited the city's finances. The city has raised over $200,000 in an eight-week period, solely through parking fees at the lake facilities. Mr. Dodge said that development planning in Santa Rosa had become a multi-entity effort with the county, schools and other entities joining in a dialogue.

Several subcommittee members inquired about which options the City of Santa Rosa would support to increase funding for roads. Subcommittee members asked whether the city would support a two-cent local increase in diesel fuel, an across-the-board increase in state gasoline taxes, toll roads or a change in the gross receipts tax (GRT) formula.

Mayor Campos said that the residents of Santa Rosa would likely support some sort of increase in fuel taxes if they could be guaranteed that the increase would go to road repair. He likened the discussion to the decision to spend money on the lake facilities. He said that the decision had garnered support because residents had realized the potential return on the investment. Mr. Dodge responded that a concern with the GRT option is the number of exemptions. He said that the hotel and restaurant service industry is generating most of the local GRT, but the industry does not have many high-paying jobs.

City of Carlsbad

Wesley Carter, Carlsbad city councilor, Ernie Carlson, chair of the Mayor's Road Committee, and Shannon Summers, local development coordinator, all from the City of Carlsbad, gave the presentation. Southeastern New Mexico has experienced an economic boom driven by the oil and gas industry. This has resulted in a large increase in road use by fleets of heavy trucks that transport oil and the water used in oil extraction. The increase in traffic has damaged local roads and created safety hazards.

Ms. Summers said that the City of Carlsbad has established a program called "This is My Carlsbad Road" to develop information on road conditions and safety issues and to encourage a sense of community investment in the road system. "This is My Carlsbad Road" is an interactive program that garners resident input on dangerous roads through social media interaction. Photographs and comments on road conditions commonly reported to the program include worn or washed-out pavement, no shoulders or space to pull over in an emergency and steep roadside ditches. Councilor Carter said that the combination of heavy road traffic and steep roadside ditches is creating rollover accidents. He explained that traffic is likely to increase with a proposed potash plant in Lovington. Ms. Summers added that oil production in the Permian Basin is expected to peak in 2026 and then remain steady for the following 20 years.

Mr. Carlson stated that the mineral extraction industry, principally oil production, is a major component of the state's economy and that taxes on production provide close to one-third of the state's revenues. With this in mind, he argued that the state needs to reinvest a greater proportion of those revenues into the roads of oil-producing communities.

In the ensuing discussion, subcommittee members noted that regionally prioritizing funding is contentious, and road safety is an issue for several communities in the state. The presenters were asked if the residents in Carlsbad would support a dedicated tax for road funding. Mr. Carlson said that there had been 112 fatal accidents in the community over the last three years, so he felt that there would be some support for a change in the GRT or a fuel tax if road funding was guaranteed. Councilor Carter agreed that a dedicated purpose in proposed tax alterations would be the key to garnering support. A subcommittee member said that, along with a statewide guarantee, any legislation should include guidelines so that communities faced with unsafe roads would be assured of road improvements.

Several subcommittee members remarked that generating public discussion about the road system is needed statewide in order to comprehensively address the state's transportation needs.

Approval of Minutes

The minutes of the subcommittee meeting on June 1, 2015 were approved without opposition.

General Aviation Airports — Status Update

Steve Summers, director, and Dan Moran, grants administrator, Aviation Division, DOT, gave a presentation on aviation services in New Mexico. Mr. Summers began the presentation by discussing the importance of aviation. Aviation provides emergency evacuation, firefighting and law enforcement services. It also supports tourism, military training, commercial business and agriculture. Mr. Summers said that the division contracts for a study of the condition of New Mexico's airports every five years. The next report will be ready in 2016. The report issued in 2009 indicated that 48,000 jobs are affected by the aviation industry.

Mr. Summers said that the Aviation Division provides support for 54 publicly owned public-use airports and heliports in New Mexico. The majority of the airports are currently operating at about 60% of capacity. While the division maintains two state-owned airports, the Conchas Lake Airport and the Navajo Lake Airport, its primary functions lie in training; managing state and federal grant funding for aviation infrastructure; and in regulatory and safety programs. The Aviation Division does not provide funding for the Albuquerque International Sunport. The division and its programs are funded through the nonreverting State Aviation Fund. The State Aviation Fund is primarily derived from GRT revenue from jet fuel. The fund has been able to maintain an average balance of $6 million annually.

Mr. Summers said that enhancing safety is the Aviation Division's first priority for infrastructure funding, with particular focus on the condition of runway pavement. The division provides planning and technical support for developing and maintaining the state's airports. The program relies heavily on Federal Aviation Administration (FAA) grants for infrastructure, although state funding through the State Aviation Fund helps leverage federal funding. In fiscal year 2015, the Aviation Division issued $10.3 million in state infrastructure improvement grants, and the FAA program provided over $15 million in grants through its Airport Improvement Program. Mr. Summers said that the overall need for aviation infrastructure improvements is approximately $240 million, but the program is averaging $20 million annually to meet that need.

The Aviation Division safety and regulatory functions include registration of airplanes, regulation of airports and the provision of seminars on safety and compliance with airport regulations.

A recent challenge to the aviation industry is an FAA regulation that increases the flight hours required for licensing pilots to 1,500 hours. As a result, there are fewer available pilots and fewer service flights. This has come at a time when the number of passengers has increased.

Subcommittee members raised several concerns about the volume of demand required to keep air service operations open. Mr. Summers responded that, in general, the demand is adequate. The required demand includes daily and weekly service, but also includes the need for periodic emergency services and fire suppression support. Mr. Summers also mentioned that recreational use for smaller airports is growing, and New Mexico is pursuing a model created by the State of Idaho to expand the aviation recreation industry. He said that the direct Santa Fe-to-Los Angeles service has been discontinued, but it could be regained with adequate subsidies.

Adjournment

There being no further business before the subcommittee, the subcommittee adjourned at 3:45 p.m.

Revised: August 19, 2015

TENTATIVE AGENDA
for the
THIRD MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

August 24, 2015
Room 309, State Capitol
Santa Fe, New Mexico

Monday, August 24

9:30 a.m.		**Call to Order** —Senator John Arthur Smith, Chair, Transportation Infrastructure Revenue Subcommittee
9:35 a.m.	(1)	**City of Clovis** —David Lansford, Mayor, City of Clovis —Representative Randal S. Crowder, Commissioner, City of Clovis —Larry G. Fry, City Manager, City of Clovis —Clint Bunch, Public Works Director, City of Clovis
10:30 a.m.	(2)	**Town of Taos and Taos County** —Jim Fambro, Vice Chair, Taos County Commission —Stephen P. Archuleta, County Manager, Taos County —Brent Jaramillo, Deputy County Manager, Taos County —Rick Bellis, Town Manager, Town of Taos
12:00 noon		**Lunch**
1:00 p.m.	(3)	**Department of Transportation (DOT) Long-Range Plan** —Randall Soderquist, Ph.D., Asset Management and Planning Division, DOT
2:00 p.m.	(4)	**Changing the Motor Vehicle Excise Tax: Implications for the General Fund** —Jeff Eaton, Research and Fiscal Policy Analyst, Legislative Council Service

3:00 p.m. (5) **Discussion of Constitutional Proposals to Dedicate Motor Vehicle-Related Taxes and Fees to the DOT Construction Budgets**
—Senator Lee S. Cotter
—Representative Roberto "Bobby" J. Gonzales

Adjourn

MINUTES
of the
THIRD MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

August 24, 2015
State Capitol, Room 309
Santa Fe

The third meeting of the Transportation Infrastructure Revenue Subcommittee was called to order by Senator John Arthur Smith, chair, on August 24, 2015 at 9:45 a.m. in Room 309 of the State Capitol.

Present	**Absent**
Sen. John Arthur Smith, Chair	Rep. Cathrynn N. Brown
Rep. Rick Little, Vice Chair	Rep. Patricio Ruiloba
Sen. Lee S. Cotter	
Rep. Roberto "Bobby" J. Gonzales	
Sen. Ron Griggs	
Sen. Clemente Sanchez	

Advisory Members

Sen. Carlos R. Cisneros	Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage	Rep. David M. Gallegos
Rep. Bealquin Bill Gomez	Rep. D. Wonda Johnson
Rep. Patricia A. Lundstrom	Rep. Paul A. Pacheco
Rep. Rod Montoya	Sen. William H. Payne
Rep. Jane E. Powdrell-Culbert	Sen. William E. Sharer

Guest Legislators
Rep. Randal S. Crowder
Sen. Howie C. Morales

Staff
Mark Edwards, Legislative Council Service (LCS)
Tessa Ryan, Staff Attorney, LCS
Pam Stokes, Staff Attorney, LCS
Erin Bond, Intern, LCS

Guests
The guest list is in the meeting file.

Handouts
Handouts and other written testimony are in the meeting file.

Monday, August 24

The chair began the meeting by summarizing the revenue forecast that was presented to the Legislative Finance Committee by the Consensus Revenue Estimating Group (CREG) the previous week. The CREG estimated there will be approximately $293 million in new money in fiscal year (FY) 2017 and that the price of oil for FY 2016 would be around $51.00 per barrel. The chair advised that at this time last year, the CREG had estimated that new money for FY 2016 would be $285 million, but due to the fall in oil prices, that number was adjusted to $141 million by the end of the year. He cautioned the possibility of an adjustment in the estimate of new money for FY 2017 if oil prices continue to fall.

City of Clovis

Clovis Mayor David Lansford, Representative and Clovis Commissioner Crowder, Clovis City Manager Larry G. Fry and Clovis Public Works Director Clint Bunch made a presentation on the transportation needs of Clovis. The presentation began with an outline of the funding sources available to Clovis for street improvements, which include municipal, state and federal sources. Clovis currently has 11 projects totaling almost $42 million, but only a few of the highest prioritized projects could be completed with available funding. The first priority is to reconstruct and widen one mile of Wilhite between State Highway 209 and Norris Street, at a cost of $5.4 million. Ninety percent of the design of that project is complete, and the funding has been identified.

The panel described recently completed projects, projects expected to be completed soon and upcoming projects. Recently completed projects include improved access to Plains Regional Medical Center and developing neighborhoods off of Norris Street, and the extension of 14th Street is expected to be completed by fall 2015. The panel briefly described urgently needed projects, including repairing State Highway 60/84 to Fort Sumner and State Highway 209 to Tucumcari. The city has not found funding for these projects yet.

The presenters highlighted anticipated drivers of economic growth that would increase demand on transportation infrastructure: 1) the Tres Amigas transmission project, for which the city approved a $1.6 billion industrial revenue bond; 2) the continued growth in personnel stationed at Cannon Air Force Base, currently bringing in an annual economic impact of over $588 million; 3) anticipated wind energy projects; and 4) the possibility of a racino being located in the area. The panel advised that a four-lane highway is needed from the state line in Texas to United States Highway 285 in Vaughn to improve access to the central part of the state from the eastern part of the state.

Other city transportation programs discussed were a daily flight service from Clovis Municipal Airport to the Dallas/Fort Worth International Airport with funding from the United States Department of Transportation's Essential Air Service Program and on-demand bus services in Clovis and Portales for which the cities charge $.75 per ride.

At the conclusion of the presentation, the panel stood for questions from subcommittee members. The panel was asked what are the maintenance issues in Clovis, to which the panel responded that Clovis has a failing infrastructure, like many communities, and pointed out that the inclement weather last winter was especially hard on the roads, creating potholes and other deterioration that crews must steadily fix. It was pointed out that the city, through a memorandum of understanding with the state Department of Transportation (DOT), must repair and maintain portions of state highways that are located within the city limits, and that commitment takes a significant portion of the city's budget. In addition, the weight of the heavy loads from the area's agricultural and dairy industries, and the expected phenomenal loads carried by trucks servicing Tres Amigas and wind farms, are causes for significant concern for further deterioration of the roads.

A subcommittee member pointed out that, unlike most state and federal road projects, local projects involve costs in addition to building a road. Water and sewer lines have significant costs the city must cover, and while it may be that a developer pays for the initial installation, the city must provide maintenance.

A subcommittee member asked if the total cost for the 14th Street extension was really $1,247,194.69, as reported in the panel's handout, and which is being funded through developers, residents and the city. Originally, the local share of the project was projected to be 40%, but it has since been reduced to about 35%. The residents and businesses pay a one-time assessment to pay for the project, but it is considered a benefit for those residents and businesses, so the project is looked upon positively.

Regarding the on-demand bus service, several questions were asked as to whether the $.75 fare covers the costs of the service. The panel stated that it does not cover the costs, but the federal government and the local taxpayers subsidize the program. When asked if the program is working or worthwhile, the panel stated that use of the program is substantial, although the panelists did not have specific numbers, and that it meets the needs of certain segments of the population that depend on it for basic life functions. It was further explained that it is not a fixed route system; rather, the stops are scheduled 24 hours in advance.

Several questions were also asked about the possibility of a racino being located in the area. While there has been a lot of interest from a variety of developers, the panel was not sure if and when a racino would be located near Clovis. The city is waiting to hear from the state as to whether the state will authorize a racino license. In the meantime, the city is educating the public on the social and economic impacts a racino may have on the area.

The panel was also asked how the members of the community would feel about an increase in a tax to pay for roads. The panel stated that there had been a lot of informal communication regarding an increase in the gas tax after the introduction of the local option gas tax bill, Senate Bill 114, in the 2015 regular session. While there was no organized survey, it appeared that it would have been looked upon favorably by the community; however, there is no real way to know how individuals would vote given the opportunity. A member later commented that the last gas tax increase was in 1993.

Lastly, the panel was asked how the services that are offered on Cannon Air Force Base affect the city's finances. The base offers many services to U.S. Air Force personnel, including gas stations, and a new medical center is planned. The city does not receive any gross receipts tax revenue from those services. Additionally, the city does not receive property tax revenue from the base. It was stated that per capita tax revenues are less when compared to other communities of the same size because of the untaxed services on the base.

Town of Taos and Taos County

The next presentation was made by Jim Fambro, vice chair of the Taos County Commission, Stephen P. Archuleta, Taos County manager, Brent Jaramillo, deputy Taos County manager, and Francisco Espinoza, public works director for the Town of Taos.

The Taos County representatives began the presentation by going through the data from one of the handouts. By the end of FY 2016, the operating budget for the county's Public Works Department will be just over $2 million, and the cost to maintain roads in the county will be approximately $6,586 per mile. Challenges facing the county in regard to its roads include an aging infrastructure that has deteriorated due to inclement weather in the winter that brings a lot of snow to the area. Additionally, the county has 28 bridges that need to be repaired or replaced, according to the DOT. Six of those bridges are on the DOT's watch list requiring an on-site examination every 30 days. Another challenge for the county is having to use aging trucks and other infrastructure equipment, which would cost approximately $2 million to replace.

Current projects that are under way and two proposed projects were discussed, as well as their funding sources. The proposed projects include improving Los Cordovas Road, which was requested by University of New Mexico-Taos to benefit the students and faculty of the school who come into town from the north. The county partnered with Taos Ski Valley on a tax increment development district (TIDD) to provide locals an alternative route from the road to Taos Ski Valley, as well as reducing the traffic jams skiers must sit through on their way to Taos Ski Valley. The second proposed project is to improve Blueberry Hill Road in the central part of Taos to give locals an option to avoid traffic on Paseo del Pueblo Norte.

A separate handout was provided for the Camino del Medio project, a joint effort between the Town of Taos and Taos County that involves a 3.03-mile stretch of New Mexico 240/Ranchitos Road. The scope of work includes widening the road to provide a shoulder and bike lanes, pavement reconstruction, safety improvements and drainage improvements. Construction costs are estimated at $3.3 million, not including right-of-way or gross receipts tax costs. Taos County and the Town of Taos have identified $521,472 in funding, which comes from the county, the town and the legislature, but $3,578,330, or 87%, of the project is still unfunded. The town and county will pursue all potential funding sources, including federal, state and local grants.

The Town of Taos representatives provided a handout with its roadway capital improvement projects, which included an outline of various studies on roads and traffic in Taos. Several maps in the handout show how traffic has increased at the Taos Plaza intersection since 1964 and that it is expected to increase by 21% between 2014 and 2034. The condition of the pavement of the roads in the town has deteriorated since 2012. In 2012, just over 10 miles of streets were in poor condition and nearly 30 miles were in good condition, but the trend has been downhill. In 2015, almost 20 miles are of streets are in poor condition and just over 20 miles in good condition.

Two projects were described, the first being Camino de la Merced, a $1.4 million project that has been environmentally cleared, whose rights of way have been secured and that is shovel-ready, but it is underfunded by over $1 million. The town has been trying to fund the project since 2007, but at this time, only 425 feet have been completed. The second project is Este Es Road, an initiative that started in 2005 and is nearly complete. The signal lights should be completed in the next 30 days.

The town completed its presentation with an explanation that the lieutenant governor from the previous administration had requested local governments to describe what their infrastructure needs would be over the next 20 years. The town stated that the 20-year project for construction costs in the town would exceed $46 million. A rough estimate of costs for one mile of a two-lane roadway includes $1 million for construction of a road with a 20-year life, $600,000 to mill and fill a road to extend its life by 10 to 12 years and $300,000 to overlay a road to extend its life by five to seven years.

With the presentations completed, the panel stood for questions, which began with whether the Taos Ski Valley developers considered the impact that potential growth in the community, due to the new hotel, shops and other expected economic activity, would have on the transportation infrastructure and if that impact was included in the development plans. A representative for the county assured the subcommittee that it was included and that when it gave up tax dollars in the process for TIDDs, the county was very concerned about the impact the development would have on the roads.

Several questions and comments were made regarding the plans to include bike paths on the roads, including how a bike path would fit on the very narrow main road. Representatives from the panel admitted it would be a challenge negotiating with landowners that have had land in their families for generations; however, bike lanes and safe infrastructure for bikers are important to the community. Biking has increased and is expected to further increase in the area, and the county wants to give its residents what they want as well as provide that option to people coming into Taos.

A subcommittee member said that, historically, local governments relied heavily on capital outlay, and if a local government did not get the needed funds in one year, there was a good chance of getting it the next. Times have changed, however, and local governments have not been able to rely on that funding in recent years. It was suggested that the county and town look at some of the capital outlay balances that could be redirected toward transportation projects. Panel members advised that they are looking at those balances for possible options; however, often the problem is having to wait to receive the grant agreement from the Department of Finance and Administration, which sometimes comes too late in the year. If the grant agreement comes in October, it is too late because roads cannot be paved in the winter.

A subcommittee member asked about the recent job losses due to the shutdown of the mine and the impact it is having on the community. The panel explained that efforts have been made to have the developer at Taos Ski Valley hire local contractors to help those affected. The large trucks taking the equipment out of the mine are having a significant impact on the roads as well, but officials are trying to work with Chevron on that issue. It was pointed out that the local governments are not seeing the bump in gross receipts tax revenue that was expected from the work involved in closing down the mine. A member requested a list of the subcontractors so that the Taxation and Revenue Department can look into the issue.

DOT Long-Range Plan

Randall Soderquist, Asset Management and Planning Division, DOT, gave an overview of the DOT-developed long-range transportation plan. He noted that the handout distributed to the subcommittee described the plan in very simple terms, but anyone interested may view it in full on the department's web page (http://newmexicotransportationplan.com/). Secretary of Transportation Tom Church, who was in the audience, commented periodically on topics raised.

Mr. Soderquist outlined the plan's purpose and the method used to develop it. The plan, whose development satisfies a federal requirement, sets out a performance-based, strategic framework to guide transportation-oriented decisions of the department, metropolitan planning organizations and regional transportation planning organizations. In developing the plan, the DOT engaged stakeholders, including topic-specific working groups, region-based working groups and other groups, to: 1) pinpoint transportation-related conditions, trends and needs; 2) identify goals; and 3) explore options to reach those goals. As part of the process, three funding scenarios and their implications were considered — namely, that revenue rates continue, revenue rates increase and revenue rates decrease. Secretary Church remarked that the "low revenue" scenario involved the cessation of federal highway funds, which constitute 50% of the state's transportation budget.

Mr. Soderquist next summarized the plan's content. The plan centers on the vision of creating a "safe and sustainable multimodal transportation system that supports a robust economy, fosters healthy communities, and protects New Mexico's environment and unique cultural heritage" and the goals of: 1) transparency and accountability; 2) safety for all system users; 3) preservation and maintenance; 4) access and connectivity; and 5) respect for cultures, the environment, history and quality of life.

Secretary Church added some remarks about the department's efforts to collect and analyze data. The plan development process began about two years ago, and the department has interacted positively with local communities in deciding how best to use limited resources. DOT-collected data will help it determine the greatest transportation infrastructure needs and, thus, which projects rank highest in funding priority.

Subcommittee members offered their feedback, remarking that: 1) Secretary Church should consider meeting with Edwynn L. Burckle, secretary of general services, on the subject of project management principles to improve efficiency and effectiveness in implementing strategies and initiatives; 2) there should be more flashing speed-control signs throughout the state; 3) counties in the border region face challenges in maintaining roads that were not designed to handle the large fleets of shipping trucks and border-patrol vehicles increasingly driven on them; 4) fluctuating and inconsistent revenue for transportation infrastructure makes it hard for local contractors to rely on state projects for business, so many relocate to neighboring states; 5) subcontractors often complain about not getting payment from state projects because the state holds back certain payment portions; and 6) counties often prefer using cold-mix asphalt concrete to hot-mix asphalt concrete, and having requirements for hot-mix use can delay development.

Additionally, a member requested from the DOT detailed information on: 1) the gap between road improvement needs and actual spending on road improvement and how much more it will cost if investment in transportation infrastructure is delayed; and 2) the liability caused by deficiencies in bridges, roads and road signs.

In response to members' comments and questions, Secretary Church said that: 1) federal rules require prime contractors to pay their subcontractors within 30 days of completing their work, and the state's responsibility in this context is limited to paying the prime contractor for the work for which the state contracted; 2) the DOT is reintroducing cold-mix asphalt concrete specifications, by which counties may abide; 3) construction and maintenance projects are scattered relatively evenly throughout the state; 4) different factors affect the determination of which projects get funded; federally funded projects consist of those in the state's seven-year state transportation improvement plan (STIP); the content of the STIP is shaped mostly at the local level by regional and metropolitan planning organizations, whereas other projects are funded through capital outlay or a mix of federal and state sources; 5) the department identifies critical, underfunded projects for capital outlay funding; 6) some transportation infrastructure-related emergencies are dealt with using federal money; others are paid for from state pools that are intended for other uses; 7) roads have a life span that can be prolonged if they are maintained every few years; much of the state's roads' pavement was laid in the 1950s and 1960s, and although the state's climate is favorable for road longevity, those roads still need maintenance, especially to save money in the long run; 8) the newly developed transportation plan, whose strategies are not tied specifically to spending, sets the framework for the STIP and underscores the importance of safety and maintaining infrastructure; and 9) the determination to select a contractor — whether local or out of state — depends on factors that include procurement rules, the project value, the nature of the bonds, commission approval and appeal by other bidding contractors. Anthony Lujan, deputy secretary, Highway Operations Office, DOT, who was in the audience, said that the contract award process generally takes about 90 days.

Changing the Motor Vehicle Excise Tax: Implications for the General Fund

Jeff Eaton, research and fiscal policy analyst, LCS, introduced himself to the subcommittee, spoke briefly about his professional background and presented a report he had written on the implications for the general fund of redirecting portions of the motor vehicle excise tax to the State Road Fund.

Mr. Eaton highlighted some circumstances that contribute to the state's transportation revenue deficiencies and noted that many states are responding to federal transportation funding declines by pursuing state-based initiatives. Transportation revenues have dropped because: 1) state funding has stayed flat — a result, in part, of improved gas-use efficiency and changes in driving behavior; 2) federal funding has decreased; and 3) road improvement costs have increased. About half of the states, which face similar funding shortfalls, have enacted measures to increase transportation revenue.

Mr. Eaton gave a history and overview of the motor vehicle excise tax. The tax is imposed on certain motor vehicle purchases at a rate of 3%. Revenues from the tax have generally increased from year to year and are projected to continue to increase. Because the tax is based on motor vehicle prices, its revenues keep pace with inflation. Over the years, the tax's revenue has been variously distributed, at one time going exclusively to the State Road Fund and to the Local Governments Road Fund. Currently, nearly all revenue from the tax is distributed to the general fund.

Working with an economist at the DOT, Mr. Eaton estimated the revenue losses to the general fund under various scenarios in which the motor vehicle excise tax revenue is diverted to the State Road Fund: 1) a phased diversion of all of the revenue over five years; 2) a phased diversion of all of the revenue over 10 years; and 3) a phased diversion of half of the revenue over five years. He referred to tables in his handout showing those respective amounts over time.

Lastly, Mr. Eaton reviewed key aspects of the consensus revenue estimate for the general fund for FY 2017, including risks to the forecast and an expenditure outlook for that year and beyond. In particular, the following points are noteworthy for their potential to influence projected revenue levels: 1) oil and gas production has increased while those resources' prices have fallen; 2) much of the state's job growth is concentrated in the health care sector; 3) the state recently saw its first net population decrease in more than 60 years; 4) it is expected that personal income will grow in the next several years; 5) it is expected that the jobs measure will return to its pre-recession level in 2017; and 6) the fiscal effects of changes made in 2013 to the corporate income tax were significantly underestimated but continue to be tracked. The following are noteworthy forecasted expenditures for FY 2017: 1) Medicaid-related programming — $89.2 million; 2) public education-related growth — $117 million; and 3) higher education, public safety and all other government program growth — $173.3 million. Other risks and expenditures for the upcoming fiscal year and future years concern public school operations; public school capital outlay; public employee compensation; federal health insurance reform; and transportation construction and maintenance.

The subcommittee asked questions for clarification and commented in response to Mr. Eaton's presentation. Many subcommittee members remarked on the tough choices that the state faces in providing adequate funding for competing needs and spending requirements, including transportation infrastructure, education and health care. Suggestions to help cover the state's spending needs included the revenue-generation options of reimposing, but at a lower rate, the gross receipts tax on food or medical expenses, raising the gas tax and raising the motor vehicle excise tax rate. A member commented that if closing the budget shortfall in the State Road Fund was the priority, then implementing the five-year phased diversion of the motor vehicle excise tax would be strong step. Members noted that each of the suggested ideas would elicit controversy. Other members asked about and stressed the importance of the governor's support for any plan, including diverting motor vehicle excise tax revenue to the State Road Fund, to expand resources for transportation infrastructure. A member commented on the pressing need for a long-term plan rather than a temporary deal — i.e., the need to establish a sustainable revenue stream that overcomes the challenges of inflation, cost increases and variability in gas prices.

Motion

A motion to approve the minutes from the meeting on July 1 was adopted without objection.

Constitutional Proposals to Dedicate Motor Vehicle-Related Taxes and Fees to the DOT Construction Budgets

Senator Cotter and Representative Gonzales discussed two joint resolutions proposing constitutional changes that they had separately introduced in the 2015 regular session. Both resolutions would have put to voters questions of whether the use of motor vehicle-related revenue should be restricted to transportation-related purposes. Senator Cotter reported that his joint resolution, which he said would require that highway funds be used for highways, did not make it out of the Senate Rules Committee, its first committee assignment. Representative Gonzales said that his joint resolution was similarly stymied. Also, he asserted that if the public has confidence that revenue collected for a particular purpose will be used to carry out that purpose, there would be more support — as has been building in other states — for raising more transportation revenue.

A member commented that constitutional amendments like these remove the year-to-year flexibility that legislatures use to meet changing fiscal challenges. In an ensuing general discussion on transportation funding, points were raised about: 1) giving local governments the authority to raise revenue for their own transportation infrastructure projects; and 2) the construction costs connected to the state's prevailing-wage policy. A member requested that staff report at a future meeting on the measures to raise more revenue for transportation infrastructure that have been taken recently by other states.

Adjournment

There being no further business before the subcommittee, the subcommittee adjourned at 3:30 p.m.

Revised: October 5, 2015

TENTATIVE AGENDA
for the
FOURTH MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

October 5, 2015
Room 307, State Capitol
Santa Fe, New Mexico

Monday, October 5

10:00 a.m. **Call to Order**
—Senator John Arthur Smith, Chair

10:05 a.m. (1) **Review of Transportation Funding Alternatives Pursued by Other States**
A. Utah Scenario
B. Georgia Scenario
C. Kentucky and North Carolina Scenario
—Pam Stokes, Staff Attorney, Legislative Council Service (LCS)
—Jeff Eaton, Fiscal Analyst, LCS

11:00 a.m. (2) **New Mexico State University (NMSU) College of Engineering: 1) the Future of Roads in New Mexico — Challenges and Opportunities; 2) Maintaining the Department of Transportation as the "Best Engineering Crew" in the Southwest — Attracting Engineering Graduates to Public Work**
—David V. Jauregui, Ph.D., P.E., Department Head of Civil Engineering, NMSU
—Patricia Sullivan, Ph.D., Associate Dean, College of Engineering, NMSU
—Douglas Cortes, Ph.D., Assistant Professor, Department of Civil Engineering, NMSU

12:00 noon **Lunch**

1:00 p.m. (3) **Diverse Transportation Works Within the Farmington Metropolitan Planning Organization**
—Sally Burbridge, Mayor, City of Aztec
—Teresa Brevik, Special Projects Manager, City of Bloomfield
—Duane Wakan, Planner, Farmington Metropolitan Planning Organization
—Fran Fillerup, Associate Planner, Farmington Metropolitan Planning Organization

2:30 p.m. (4) **City of Rio Rancho — Roads Overview**
—Greggory D. Hull, Mayor, City of Rio Rancho

3:30 p.m. (5) **Emerging Transportation Needs: Implementing "Complete Streets"**
—Isaac Benton, Albuquerque City Councilor, District 2
—Carmichael Dominguez, Santa Fe City Councilor, District 3
—Julie Luna, Transportation Planner, Mid-Region Council of Governments
—Caeri Thomas, Transportation Planner, Mid-Region Council of Governments

4:30 p.m. **Adjourn**

MINUTES
for the
FOURTH MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

October 5, 2015
State Capitol, Room 307
Santa Fe

The fourth meeting of the Transportation Infrastructure Revenue Subcommittee was called to order by Senator John Arthur Smith, chair, on October 5, 2015 at 10:10 a.m. in Room 307 in the State Capitol.

Present	**Absent**
Sen. John Arthur Smith, Chair	Rep. Roberto "Bobby" J. Gonzales
Rep. Rick Little, Vice Chair	
Rep. Cathrynn N. Brown	
Sen. Lee S. Cotter	
Sen. Ron Griggs	
Rep. Patricio Ruiloba	
Sen. Clemente Sanchez	

Advisory Members

Sen. Carlos R. Cisneros	Sen. Jacob R. Candelaria
Rep. David M. Gallegos	Rep. Sharon Clahchischilliage
Rep. Bealquin Bill Gomez	Rep. D. Wonda Johnson
Rep. Rod Montoya	Rep. Patricia A. Lundstrom
Rep. Jane E. Powdrell-Culbert	Rep. Paul A. Pacheco
	Sen. William H. Payne
	Sen. William E. Sharer

Staff
Mark Edwards, Legislative Council Service (LCS)
Nancy Martinez, Intern, LCS
Alexandria Tapia, Contractor, LCS

Guests
The guest list is in the meeting file.

Handouts
Handouts and other written testimony are in the meeting file.

Monday, October 5

Review of the Transportation Funding Alternatives Pursued by Other States

Pam Stokes, staff attorney, and Jeff Eaton, fiscal analyst, both with the LCS, presented to the subcommittee three models adopted by states to fund transportation needs. In providing background, the presenters explained that federal funding sources have been in decline for several years. Some states tied their gas tax to the price of fuel, and when prices fell, their program revenues for road construction and maintenance also fell. New Mexico has one of the lowest tax rates on gasoline at 17 cents per gallon (cps). In 2015, seven states — Georgia, Idaho, Iowa, Nebraska, South Dakota, Utah and Washington — passed legislation to increase gas taxes. The goal of these states was to establish sustainable taxes that produce reliable funding for programs. The presentation by the LCS focused on the legislation adopted by Utah, Kentucky and North Carolina.

Utah's House Bill (HB) 362 (2015)

Effective July 1, 2015, the new law replaced the state's 24.5 cpg gas tax with a 12% tax on the annual average wholesale price of a gallon of gas in the state. The law sets a minimum tax based on a $2.45 wholesale price per gallon regardless of the actual wholesale price. Likewise, the law sets a maximum gas tax based on a $3.33 wholesale price per gallon. Between the minimum and maximum tax rates, once the actual wholesale price of gas reaches $2.45, the tax may increase each year by adding a rate calculation on any positive change in the actual wholesale price or on a positive change in the Consumer Price Index (CPI), whichever is greater. The tax will never decrease. The tax on diesel is imposed at the same rates as gasoline. Subject to a vote, counties are authorized to increase the sales tax by .25% to provide additional transportation funding as specified by the bill. Additionally, the tax on alternative fuels incrementally increased from 8.5 cpg equivalent to 16.5 cpg. The Utah Department of Transportation is required to continue studying a usage-based revenue system as an alternative revenue source.

Kentucky's HB 299 (2015)

Kentucky enacted HB 299 to deal with volatility in gas prices and provide stabilization for revenues and consumers. The legislation raises the tax floor from 21.1 cpg to 26 cpg. The tax consists of two parts: a flat rate of 6.4 cpg; and a variable rate equal to 9% of the average wholesale price of gasoline. The new tax will be calculated once a year based on the prior year's wholesale prices; it cannot rise more than 10 cents in a year.

North Carolina's Senate Bill (SB) 20 (2015)

This legislation reset the motor fuels tax rate to correct the growing gap between revenues and the demand for transportation infrastructure. The law also adds a new variable component for calculating future rates. When the law was enacted in March 2015, the tax was 37.5 cpg. This tax rate combined a 17.5 cpg flat rate with 7% of the average wholesale price of gasoline. The new tax law first reduces the rate from 37.5 cpg to 34 cpg over 15 months and then sets 34 cpg as the new base rate. Beginning in January 2017, the law establishes a growth index combining 75% of the change in population and 25% of the change in the CPI for all urban consumers. The tax rate will then be calculated annually by adding the percentage change in the growth rate to the 34 cpg base rate. In SB 20, population is used as a stabilizing factor to create a stable revenue source. Mr. Eaton said the North Carolina growth index includes the change in population as a stabilizing factor to counter market variability.

Following the presentation by Ms. Stokes and Mr. Eaton, the subcommittee discussed the following topics:

- action at the federal level in regard to road infrastructure funds;
- forecast of funding available during the upcoming legislative session;
- legislation enacted in Georgia;
- potential effects on tribal entities with the different model legislation;
- hybrid vehicle flat rate tax potential imposed by other states;
- Corrective Action Fund and State Road Fund contributions;
- price fixing and the price stabilization impact of large quantity retailers; and
- gas price disparities among neighboring communities.

New Mexico State University (NMSU) College of Engineering: (1) the Future of Roads in New Mexico — Challenges and Opportunities; and (2) Maintaining the Department of Transportation as the "Best Engineering Crew" in the Southwest — Attracting Engineering Graduates to Public Work

A panel of professors from the NMSU College of Engineering met with the subcommittee to discuss the future of New Mexico roads and challenges and opportunities facing their department. Douglas Cortes, Ph.D., assistant professor of civil engineering, NMSU, spoke about the current conditions of the New Mexico roadway system. According to Dr. Cortes' presentation, 23% of major locally and state-maintained urban roads and highways are in poor condition. Another 41% are considered to be in "fair" condition. The typical pavement design has a life span between 20 and 25 years. However, road integrity is challenged in several ways, in addition to the normal wear and tear of vehicle travel. There are two types of premature pavement failure: (1) progressive failure; and (2) catastrophic failure. Causes of progressive failure include an increase in the number and weight of vehicles, aging of pavement components, inadequate design, unstable subgrades and deficient construction materials. Catastrophic failures are a result of natural hazards such as floods, fires or earthquakes.

Dr. Cortes said road integrity is also challenged by the costs of pavement construction and maintenance. He added that the same type of pavement has been used for over a century. During that time, material costs have increased substantially. Dr. Cortes shared a new method of building roads called "inverted pavements", which shifts the emphasis to the pavement foundation instead of the surface. There are test sections in states around the country, including New Mexico, and NMSU has been acquiring expertise on the matter. Dr. Cortes highlighted some of the department's faculty work and its partnership with the Department of Transportation (DOT).

David V. Jauregui, Ph.D., P.E., department head of civil engineering, NMSU, focused on career opportunities and growth in the field of civil engineering. Dr. Jauregui stated that NMSU civil engineering graduates have an interest in staying in the state, and the Department of Civil Engineering has seen an increase in enrollment over the past five years amid an overall decline in college enrollment. NMSU has been part of a collaborative partnership with the DOT to create a competitive employee career pathway and is also working to build a strong K-12 student science, technology, engineering and mathematics (STEM) pipeline.

Patricia Sullivan, Ph.D., associate dean, College of Engineering, NMSU, spoke more about the STEM pipeline as a recruitment strategy for the college. Dr. Sullivan shared some of the efforts to engage students through career fairs, summer internships and engineering design challenges. The NMSU bridge engineering program, founded in 1987, allows for hands-on training as undergraduate students travel throughout the state to inspect 100 to 150 bridges per year. The goal is to increase the visibility of civil engineering as a career choice and the job opportunities within the state after graduation.

The panel concluded the presentation by discussing the following items with the subcommittee:

- an explanation of road construction and layer adjustments for fluctuation in temperature;
- causes for cracking and erosion in pavement;
- position vacancies at the DOT;
- salary disparities and difficulties with recruitment to the public sector;
- the need for increased support of students nearing graduation;
- elimination of non-degree-related requirements for students with declared majors;
- NMSU research resources available to counties and municipalities; and
- the importance of retaining students in the state after graduation.

Diverse Transportation Works Within the Farmington Metropolitan Planning Organization

Teresa Brevik, special projects manager, City of Bloomfield, provided an overview of projects in Bloomfield. The local government struggles with stimulating economic development and hopes to create jobs through public/private partnerships. Ms. Brevik emphasized Bloomfield's goal to make the city a place where residents and visitors want to live, work, play and shop and that would attract residents of all ages, including millennials. The city's current projects include the following.

(1) *East Blanco Boulevard reconstruction and bridge replacement.* This project has been on the city council's agenda for many years. It is a minor arterial through Bloomfield. Project completion will require an additional $1.5 million.

(2) *Vereda del Rio San Juan River Trail*. The river trail project was started in 2006 with state parks funding. To date, only half of the original plan is completed, and the city will need more funding to complete the entire loop through the public park.

(3) *Main Street revitalization*. Bloomfield has two major highways that intersect in the middle of town, impairing the Main Street atmosphere. Creating a pedestrian-friendly town center is viewed as a great economic development project and enhancement for a town the size of Bloomfield.

(4) *Bloomfield Riverwalk*. The addition of a riverwalk would support the Main Street concept. Environmental efforts for this project are in progress, and Bloomfield is currently working with developers to create an entry corridor and economic center.

Fran Fillerup, associate planner, Farmington Metropolitan Planning Organization (FMPO), discussed the organization's findings from recent surveys and public meetings regarding its 2040 Metropolitan Transportation Plan. Consistently raised during public meetings were concerns about limited transit, limited walkability, missing connections (roads, bikeways, paths), aesthetics/quality of life, rail service, recreational trails and regional bus service. Based on the findings, the FMPO has ranked its top three priorities as: (1) pedestrian safety; (2) major roads; and (3) bicycle routes. Mr. Fillerup said these priorities are also what citizens were most willing to pay for.

Duane Wakan, planner, FMPO, explained the concept of "Complete Streets" — a design concept that seeks to balance the streets to allow for all types of transportation and increases ease of use for all users. Complete Streets encourages safe routes to school, multimodal transportation, public health and economic development. Mr. Wakan and the other presenters stressed the need to attract young professionals into their communities and increase opportunities for economic growth.

In response to comments and questions from subcommittee members, the presenters addressed the following points:

- the historical reliance by small communities on capital outlay funding for projects;
- growing interest in bicycling lanes and bicycling as a mode of transportation;
- challenges in attracting millenials and increasing opportunity;
- project details regarding Bloomfield's bridge replacement; and
- the cost of maintenance for Complete Street additions.

City of Rio Rancho — Roads Overview

Greggory D. Hull, mayor, City of Rio Rancho, presented an update on current projects in the City of Rio Rancho. Mayor Hull provided a detailed description of the projects, their funding sources and needs, a timetable for completion and their overall benefit to the city. Rio Rancho's street systems require increased investment for preventive maintenance, rehabilitation of surfaces, reconstruction and system expansion. Because of these needs, Rio Rancho has been looking at options to increase revenues for roads. Some of these options include general obligation bonding and a new gross receipts tax increment.

Mayor Hull informed the subcommittee about the Paseo del Volcan (PdV) extension. A seven-mile stretch of PdV (N.M. 347) now exists in Rio Rancho from U.S. 550 to Unser Boulevard. An additional 23 miles of roadway need to be built to connect the existing section in Rio Rancho to I-40 in Albuquerque; the estimated cost of that construction is $96 million. The current focus of the project is on the construction of the interchange at I-40 in Albuquerque, along with a variety of right-of-way acquisitions/donations along the project corridor. An analysis of economic development opportunities for this transportation corridor indicates tens of thousands of acres of land would be opened up for development, which could include new industry, manufacturing and other businesses. The continual expansion of the City of Rio Rancho will demand a greater need for additional river crossings to ease commuting traffic issues with neighboring Albuquerque. Mayor Hull emphasized the importance of these road projects in increasing economic development and safety and allowing better access to health care facilities.

The subcommittee discussed the following items with Mayor Hull relating to his presentation:

- increased demand for water with the addition of new construction;
- water rights for the City of Rio Rancho and investment in water reinjection projects;
- opportunities for new business parks, housing developments and retail space;
- recognition of work done by the DOT on the U.S. 598 project;
- the effect on senior centers created by streets lacking sidewalks with wheelchair-accessible ramps;
- specifics regarding the PdV connection project — areas that would be connected by the add-on; and
- cost of the PdV extension and potential funding sources.

A subcommittee member cautioned the audience about the projected state budget for the upcoming session. If the projection holds true, it is expected to have a significant impact on capital outlay and road project funding. The subcommittee member cited the possibility of an increase to the gas tax to meet the need for funding for various projects around the state, noting that New Mexico has not increased its gasoline tax since 1993.

Emerging Transportation Needs: Implementing Complete Streets

A panel presented to the subcommittee the potential for implementing Complete Streets in communities around the state. The DOT's long-range plan, the "New Mexico 2040 Transportation Plan" (2040 plan), was adopted in 2015. This plan stresses the importance of accommodating all roadway users. Although the 2040 plan is an important step toward Complete Streets practices, Complete Streets legislation would provide critical support for implementation. According to the National Complete Streets Coalition, the Complete Streets plan is designed, operated and maintained to enable safe access for all users. People of all ages and abilities are able to safely move along and across streets in a community, regardless of how they are traveling. The Complete Streets plan minimizes conflicts among users of public transportation, drivers, pedestrians and bicyclists in the public right of way.

Isaac Benton, Albuquerque city councilor, District 2, explained a new Complete Streets ordinance in Albuquerque. He said that the infrastructure is older and that the rights of way are smaller in many parts of the city. The Complete Streets ordinance does not apply to residential streets but focuses on urban roads. The concept provides direction to the city's Engineering Division when planning projects. In rehabilitation projects, the engineers need to look at the existing rights of way and do the most that can be done to bring the area up to the Complete Streets standard. Councilor Benton said that the Greater Albuquerque Chamber of Commerce supports the Complete Streets initiative as being good for business and encouraging economic development.

Carmichael Dominguez, Santa Fe city councilor, District 3, informed the subcommittee that a resolution was passed in 2007 to recognize the Complete Streets concept in the City of Santa Fe. He said that Complete Streets principles have been incorporated into new development projects and that a new focus has been placed on creating "green lanes" for bicycles. He said this design concept is also helpful for individuals who do not have access to personal transportation by providing easy access to grocery stores and bus stops. He said that using Complete Streets principles will spur economic growth and encourage healthy practices by making it safer for people to use alternative methods of transportation.

Julie Luna, transportation planner, Mid-Region Council of Governments, clarified that the Complete Streets design is a policy, not a mandate. It provides a model for communities to adopt safer practices in street design. Ms. Luna pointed out that New Mexico has a very high rate of pedestrian fatalities — the state had the highest three-year (2011-2013) pedestrian-fatality rate in the nation at 3.01 fatalities per 100,000 population. Ms. Luna noted that while it is less expensive to construct a Complete Streets design in a new development, the concept is also a great model for areas that are being renovated. The Mid-Region Council of Governments is seeking the support of the New Mexico Legislature to adopt Complete Streets as a policy for the state, in addition to supporting the 2040 plan.

The subcommittee discussed the following topics with the panel:

- the potential to address cyclist needs along highways by increasing the width of roadway shoulders during road rehabilitation;
- challenges to implementing new methods and institutional resistance to change. A panelist stated that Complete Streets concepts are now commonly part of the curriculum for students studying traffic engineering and municipal design; and
- collaboration of Complete Streets renovation with the MainStreet Program.

Approval of Minutes

Upon a motion by Senator Sanchez to approve the August minutes of the subcommittee, seconded by Senator Griggs, the subcommittee adopted the minutes without objection.

Adjournment

There being no further business, the subcommittee adjourned at 4:07 p.m.

Revised: November 2, 2015

TENTATIVE AGENDA
for the
FIFTH MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

November 3-4, 2015
Room 307, State Capitol
Santa Fe

Tuesday, November 3

9:30 a.m. **Call to Order**
—Senator John Arthur Smith, Chair

9:35 a.m. (1) **Georgia Methodology for Transportation Funding**
—Jeff Eaton, Fiscal Analyst, Legislative Council Service

10:05 a.m. (2) **City of Deming**
—Benny Jasso, Mayor, City of Deming
—Jim Massengill, Public Works Director, City of Deming
—Aaron Sera, City Administrator, City of Deming

11:05 a.m. (3) **Hidalgo County: Federal Requirements and Effects of Border Patrol on County Roads**
—Darr Shannon, Chair, Hidalgo County Commission
—Tyler Massey, County Treasurer, Hidalgo County
—Bob Hill, County Manager, Hidalgo County

12:00 noon **Lunch**

1:00 p.m. (4) **Building a Natural Gas Vehicle Customer Market in New Mexico**
—Sherrie Merrow, Chair, State Government Advocacy Committee, NGVAmerica
—Colin Messer, Owner, Energy Technology
—Blake Littauer, Regional Sales Manager, Clean Energy Fuels Corporation

2:00 p.m. (5) **Implementing a Local Government Fuel Tax Option: Challenges and Possibilities**
—Regina Romero, Director of Intergovernmental Relations, New Mexico Municipal League (NMML)
—James O'Neill, President, O'Neill Consulting, Consultant to NMML
—Frank V. Crociata, Tax Policy Director, Taxation and Revenue Department

2:30 p.m. (6) **Sandoval County: Road and Transportation Challenges of an Urban/Rural County**
—James Dominguez, Vice Chair, Sandoval County Commission
—Tommy Mora, Jr., Director of Public Works, Sandoval County
—Jason P. Clark, P.E., Road Manager, Sandoval County

3:30 p.m. (7) **Proposed Legislation**

4:00 p.m. **Recess**

Wednesday, November 4

9:30 a.m. (8) **Feasibility of Selling the Rail Runner; House Memorial 127 (2015) Report**
—Loren Hatch, Deputy Secretary of Business Support, Department of Transportation (DOT)
—Frank Sharpless, Director, Transit and Rail Division, DOT

10:30 a.m. (9) **New Mexico DOT System Status Update**
—Ernest Archuleta, P.E., Director, Operations Division, DOT
—Elias Archuleta, P.E., Chief Engineer, DOT

11:00 a.m. **Adjourn**

MINUTES
of the
FIFTH MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

November 3-4, 2015
State Capitol, Room 307
Santa Fe

The fifth meeting of the Transportation Infrastructure Revenue Subcommittee was called to order by Senator John Arthur Smith, chair, on November 3, 2015 at 9:43 a.m. in Room 307 at the State Capitol.

Present	**Absent**
Sen. John Arthur Smith, Chair	
Rep. Rick Little, Vice Chair	
Rep. Cathrynn N. Brown	
Sen. Lee S. Cotter	
Rep. Roberto "Bobby" J. Gonzales	
Sen. Ron Griggs	
Rep. Patricio Ruiloba	
Sen. Clemente Sanchez	
Advisory Members	
Sen. Carlos R. Cisneros	Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage	Rep. David M. Gallegos
Rep. Bealquin Bill Gomez	Rep. D. Wonda Johnson
Rep. Patricia A. Lundstrom	Rep. Paul A. Pacheco
Rep. Rod Montoya	Sen. William H. Payne
Rep. Jane E. Powdrell-Culbert	Sen. William E. Sharer

Staff
Mark Edwards, Legislative Council Service (LCS)
Nancy Martinez, Intern, LCS
Renée Gregorio, LCS

Minutes Approval
Because the subcommittee will not meet again this year, the minutes for this meeting have not been officially approved by the subcommittee.

Guests
The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Tuesday, November 3

Georgia Methodology for Transportation Funding

Jeff Eaton, fiscal analyst for the LCS, presented a summary of transportation legislation adopted by Georgia this past spring. He said that many states have been struggling to keep up with their transportation needs with available funding. Georgia is one of seven states that has passed legislation in 2015 to increase gas taxes, Mr. Eaton said, through its passage of House Bill 170. In explaining Georgia's new law, Mr. Eaton said that it became effective on July 1, 2015, and it replaces a 4% gas sales tax with an initial 26 cents per gallon (cpg) excise tax, which is an effective increase of $.06 per gallon. He said that this new rate is projected to increase revenue by $360 million. He added that the new excise tax is indexed to fuel efficiency and the Consumer Price Index (CPI).

Mr. Eaton then described how Georgia's new excise tax will be determined and adjusted. As a preliminary measure, 2014 will be used as a base year to determine the average miles per gallon (AVMG) of all new vehicles registered in the state. Starting in 2016, Georgia's gas tax will vary each year based on a two-step formula. First, the percentage of positive or negative change in the AVMG for the previous year is calculated (for 2016 this will be the AVMG for new vehicles registered in the year 2015 compared to those registered in 2014). The initial 26 cpg will then be multiplied by that percentage and the resulting increase or decrease will then be added to it, establishing a "preliminary gas tax rate". Second, the preliminary gas tax rate is then multiplied by the positive or negative change in the CPI to determine the new gas tax rate for the year. Georgia's gas tax rate formula will not include the CPI index after 2018. Mr. Eaton explained that the variable formula is designed to allow the revenue stream to grow alongside the costs of road maintenance and construction.

Mr. Eaton also provided the subcommittee with information on New Mexico's motor vehicle-related revenues. His handout included a map with figures from the American Petroleum Institute showing tax rates across the U.S. that indicate that New Mexico's gas tax rate ranks as the forty-third lowest rate in the country at 18.88 cpg. This figure combines a 17 cpg gas tax and a 1.875 cent petroleum loading fee that is dedicated to the remediation of sites contaminated by leaking underground storage tanks and is rounded up to the next highest one one-hundredth of a cent.

Mr. Eaton also gave subcommittee members a table showing general fund revenue estimates, emphasizing the motor vehicle excise tax line. He indicated that the final update to this estimate will be given in December or January. He remarked on the steady growth of this revenue, stating that since fiscal year (FY) 2011, the motor vehicle excise revenues have recovered from recession levels.

Directing subcommittee members to the Legislative Finance Committee's (LFC's) "Finance Fact" sheet on highway funding, Mr. Eaton emphasized that New Mexico's gas tax rate is 17 cpg and that the state's ability to generate revenue from that tax has been deteriorating due to fewer miles traveled per driver and increased fuel efficiency. He remarked that what is not accounted for in the LFC handout is inflation, and if the gas tax rate were indexed, the effective tax rate per gallon today would be much higher.

The following topics and ideas were raised in the ensuing discussion by the subcommittee:

- whether adjusting gas tax rates to increasing fuel efficiency would benefit some consumers over others;
- the relative merits of having a set per gallon gas tax rate compared to a rate that varies with the price of gas;
- that a $.01 increase in the gas tax generates approximately $9 million in revenues when applied to gasoline and $5 million when applied to diesel fuel;
- disputes from local governments that do not feel they are getting proper credit for local fuel sales;
- a request for a copy of the breakdown showing the distribution of State Road Fund (SRF) user revenues, which the Department of Transportation (DOT) provided later in the day;
- the imposition of fuel taxes by Native American tribes and the uses of the Tribal Infrastructure Project Fund; and
- options for road funding, including increasing the excise tax, eliminating the gas tax and replacing it with a higher gross receipts tax and the potential of moving funding from other areas, and some of the challenges facing each option.

City of Deming

As an introduction to the next presentation, a member of the subcommittee spoke of the terrible condition of many residential streets in Deming on which sustained remediation is needed. Benny Jasso, mayor, Jim Massengill, public works director, and Aaron Sera, administrator, all from the City of Deming, spoke to the subcommittee about the funding issues Deming faces.

Mayor Jasso talked about the lack of funds available for general maintenance and construction of roads, highlighting safety concerns intensified by both the construction of new schools and the expansion of the port of entry. The port-of-entry expansion, although necessary, will affect traffic flow, redirecting it onto streets that need work. He mentioned that gas tax revenues have dropped by 50%. The current budget allows for about $3 million for street improvements, $350,000 of that from taxes and approximately $1 million from grants. He emphasized that a sustainable funding mechanism is sorely needed, and he said that Deming supports Senate Bill (SB) 394, introduced in the 2015 regular session. Mr. Sera added that the city works closely with the DOT and that funding is given to the district to determine where work needs to be done. Five years ago, the Local Government Road Fund allowed Deming to apply for hundreds of thousands of dollars, but now, the city can only apply for and receive $45,000 and has to provide matching funds, he said.

In response to a question on why gasoline tax revenues have decreased, Mr. Sera said that Deming was told by the Taxation and Revenue Department (TRD) that it showed a loss in population and an increase in fuel-efficient vehicles such as the Toyota Prius. He said that this has not been resolved with the TRD, but the city does not believe it is losing population, and only one person owns a Prius in Deming. Answering another question related to Deming's use of its general fund to close the gap on road needs, he said that the general fund subsidizes road funding at $1.5 million per year, or 22% of the general fund budget. The majority of funding from the general fund goes into public safety needs. Discussion then ensued about the subcommittee's responsibility to the state to sort out how to fund road needs. Legislation similar to SB 394 from the 2015 session was raised as a possibility (SB 394 would have increased both the gas tax and the special fuels tax, indexed these taxes to inflation and split gas tax revenues between the SRF and a new distribution to counties and cities for road maintenance). A request was made for the New Mexico Municipal League (NMML) to discern how much of local governments' general funds are subsidizing road projects throughout the state's cities and counties. Another major concern discussed was changes in local disbursements from the TRD.

Hidalgo County: Federal Requirements and Effects of Border Patrol on County Roads

Darr Shannon, chair of the Hidalgo County Commission, introduced Bob Hill, county manager for Hidalgo County, and Tyler Massey, county treasurer for Hidalgo County. Ms. Shannon said that Hidalgo County is one of the last frontier communities in the state, and although it is very small, it has always known how to do a lot with a little. She added that the agricultural industry is the county's main tax base, and that the federal border patrol has more than 200 agents working in Hidalgo County, but 90% of them do not live there. The border patrol traffic is immense, she said, adding that its base, Camp Garza, is built in a flood zone and is served by a very bad road. The federal government will not help with road maintenance, and the county cannot keep up.

Mr. Hill gave details about Hidalgo County and its roads. The current population is about 4,700. The county has 464 total miles of road; 419 of which are dirt, and 45 chip-sealed. He said that the effect of the border patrol is highest on Horse Camp Drive and another 80 miles of roads that are heavily used. He added that although there is no direct mandate that obligates Hidalgo County to maintain roads for the border patrol, the county feels that responsibility. The county's road challenges are increased by the fact that dirt and chip-sealed roads require more frequent maintenance.

Mr. Massey spoke of the financial impacts of road maintenance and highlighted the budget for the last four years. He said that the county's road fund has only three sources of revenue: (1) the combined fuel tax; (2) motor vehicle fees; and (3) a forest reserve distribution. He said that the county is struggling to keep up now because its road department is not bringing in any revenue. He added that the county is heading in the direction of having to dedicate general fund money to road maintenance.

In response to questions from subcommittee members, the following points were discussed:

- what federal payments in lieu of taxes (PILT) funds help to cover, and Hidalgo County's reliance on PILT funds;
- cutbacks in Hidalgo County's budget due to the shutdown of smelter operations and displacement of families out of the community of Playas;
- repeated attempts to secure federal government support for blades and other road maintenance equipment for roads in Hidalgo County;
- the state and use of roads near the Antelope Wells border crossing;
- the DOT's annual auction and hardship sale of road equipment, for which local governments and counties have first pick;
- the percentage of acreage in Hidalgo County that is federal (over 50%), resulting in PILT funding being 25% of its general fund budget;
- a one-page explanation of PILT funding and awards on the TRD's website; and
- the need for maintaining the law enforcement communications system in Hidalgo County given how distant it is from major population centers.

Building a Natural Gas Vehicle Customer Market in New Mexico

Sherrie Merrow, chair of the State Government Advocacy Committee for NGVAmerica, introduced colleagues Colin Messer, owner of Energy Technology, and Blake Littauer, regional sales manager for Clean Energy Fuels Corporation. Ms. Merrow said that NGVAmerica is a national trade organization that is developing a market for vehicles powered by natural gas. She highlighted the large number of corporate stakeholders that are part of NGVAmerica and talked about natural gas as compared to other fuels. She said that natural gas is abundant domestically and has environmental and economic benefits. She also highlighted prices of natural gas as compared to oil, stating that natural gas prices will not rise, but oil prices likely will. In terms of how many natural gas vehicles (NGVs) are on the roads today, Ms. Merrow stated that nationally about one in every three or four transit buses are operated with natural gas and that one in every two trash trucks being ordered today is an NGV. She added that there are more than 1,950 natural gas stations, with an average growth of 10 to 15 new stations each month. New Mexico has 16 natural gas stations, Albuquerque has 83 new compressed natural gas (CNG) buses and Santa Fe Trails uses CNG buses as well. She said that many car and truck manufacturers are making both liquified natural gas (LNG) and CNG models.

Ms. Merrow next spoke about federal policy as related to NGVs; in particular, issues related to the LNG diesel tax penalty, an inland waterway fuel tax for LNG, reducing the incremental federal excise tax on heavy duty vehicles and a weight waiver for heavy duty trucks on federal roads because LNG and CNG tanks are heavier. She added that this fuel needs to be promoted at the national level and that work needs to be done to convert fleets nationwide. She then referred to a map in the handout that shows recently enacted policies for NGVs, with all but 12 states involved in policy shifts and promotion. She added that the federal government has not instituted a vehicle incentive for NGVs and that to promote these vehicles, there will need to be vehicle purchase grants and tax incentives as well as tax exemptions.

She reiterated that NGVAmerica promotes the growth of LNG- or CNG-powered vehicles by influencing legislation, regulation and administrative policies at the state level. She then reviewed proposed and passed legislation for 2014 and 2015 related to incentives, fleet purchase provisions, excise and other taxes and weight limits. She spoke of best practices in several states that have fixed tax and weight issues related to NGVs and that have instituted incentives; there are 25 states with such policies in place, and NGVAmerica plans to continue to assist New Mexico in developing policy.

Ms. Merrow remarked that the states having the most success in growing an NGV market are using multiple approaches and incentives at the same time. Among the most successful states are Texas, Florida and Colorado. In Texas, a $52.9 million investment produced an additional $79.1 million in gross state product and 927 new jobs. Also in Texas, 7,800 vehicles have either been purchased or converted. She mentioned that each state gets a certain amount of emissions-based funding from the federal government and that many states are tapping into this funding for alternative fuel vehicles. She said that Florida took away its excise tax and put vehicle grants in place and that a state investment of $4.7 million resulted in $91.5 million in construction spending. Colorado, she added, began with providing tax credits, reducing its excise tax and giving a partial weight exemption, among other changes, and it doubled its CNG sales growth. Colorado also matched state funds with its congestion mitigation and air quality (CMAQ) improvement funding for NGV growth.

What is needed to produce growth in New Mexico's NGV market, Ms. Merrow said, is to:

1) review what the state's corridors are for LNG stations to connect with other states;
2) promote the value of natural gas as a transportation fuel;
3) investigate CMAQ funding possibilities; and
4) determine what is possible for vehicle incentives such as grants, tax credits, loans or tax exemptions.

Ms. Merrow ended by urging the subcommittee to propose a memorial on NGVs to investigate the possibilities for the state to provide tax credits or deductions for the purchase or conversion to NGVs.

The subcommittee members engaged in questions with Ms. Merrow, and several points were discussed, including:

- the weight of alternative fuel vehicles, the expense of wrapping CNG tanks and efforts to improve technology to make NGV vehicles lighter and more efficient;
- the improved engine materials, systems and computer controls leading to better performance of NGVs as compared to 10 years ago;
- how the U.S. is behind the rest of the world in the use of NGVs;
- the renewable nature of natural gas;
- the nature of the tax credits, cost and grant program in Colorado;
- the existence of currently moth-balled natural gas stations in New Mexico that are ready to be "turned back on" if the number of NGVs on the road increases;
- the cost of natural gas fueling stations;
- looking at New Mexico's infrastructure for stations and how Colorado built its stations, which involved a lot of local hiring; and
- looking at converting state and city fleets to natural gas as a starting point.

Representative Gonzales made a motion to support a study of how to increase NGV use in New Mexico, which was seconded by Senator Smith and voted on unanimously by the subcommittee. It was noted that a subcommittee member would be working on a joint memorial regarding NGVs for the upcoming session.

Implementing a Local Government Fuel Tax Option: Challenges and Possibilities

Regina Romero, director of governmental relations, NMML, and James O'Neill, consultant to the NMML, discussed problems that are occurring at the local level and options available to move money to local governments for roads, streets and bridges. Ms. Romero stressed the need for transportation systems in every municipality that are both safe and efficient. She added that increasing revenues from fuel taxes to cover existing transportation needs is the NMML's priority. She stated that local governments are capable of administering such taxes if the legislature authorizes their implementation.

Mr. O'Neill spoke of the difficulties involved in tying potential retail stations in municipalities back into the state tax system, but he said that this could be done despite such difficulty. He also addressed problems with the current County and Municipal Gasoline Tax Act. He said the act is outdated, contains no administrative or refund provisions and is not covered by the Tax Administration Act, which would make creating an adopting ordinance for local governments very complex. Mr. O'Neill advised throwing out the existing tax provisions, which he said are not workable, and creating a new tax to take its place. He added that one consideration would be to tax all motor vehicle fuels rather than only gas.

Demesia Padilla, secretary of taxation and revenue, alongside Frank V. Crociata, tax policy director, TRD, and Efrain Ibarra, economist, TRD, presented the subcommittee with detailed information on the County and Municipal Gasoline Tax Act. Secretary Padilla agreed with Mr. O'Neill's assessment that this tax provision is not workable any longer.

Mr. Ibarra spoke of the class A and H counties covered in the act that may impose this tax, which include San Juan, Santa Fe, Dona Ana, Bernalillo, Sandoval and Los Alamos counties and municipalities within those counties. He said that the Department of Finance and Administration determines the class of a county every two years based on census figures. He then reviewed the taxes authorized in the act, stating that these taxes are not true local option taxes but are separate programs. He described how taxation happens at the retail level, which is often difficult to manage.

Mr. Crociata expressed significant agreement with Mr. O'Neill, saying that retail collection of fuel taxes is disfavored for many reasons, including the auditing that is necessary and the fact that there is no way to appeal any action taken by the taxing jurisdiction in current statute.

Subcommittee members engaged in questioning the panel, and the following points were addressed:

- the origin of the act in 1978, which was related to emissions-control problems in Albuquerque, for which the gas tax was proposed;
- discussion surrounding the complexity of reporting for the gas tax;
- a suggestion that the TRD work with the NMML, the New Mexico Association of Counties and industry representatives to develop a workable local option; and
- the need for sustainable funding for roads.

Sandoval County: Road and Transportation Challenges of an Urban/Rural County

James Dominguez, vice chair, Sandoval County Commission, Tommy Mora, Jr., director of public works for Sandoval County, and Jason P. Clark, road manager for Sandoval County, gave the subcommittee an overview of road improvement needs in the county. Mr. Dominguez emphasized the needs on County Road 11 and its bridges, the Paseo del Volcan (PDV) expansion project, for which 23 miles are remaining to be built, and the Rainbow Boulevard project that will help with the transportation of students. The bridges are all unsafe, but are required for, and are being used by, fire trucks and ambulances, Mr. Clark added. Included in additional road needs is maintenance of rural roads, many of which are dirt. Mr. Dominguez said that two road crews maintain all roads in the county, which amount to 20 men taking care of 1,500 miles of roads.

A subcommittee member expressed grave concern for the state of roads across New Mexico and some bafflement at why the state cannot seem to address this problem satisfactorily with a gas tax or local option tax. In response to several questions by subcommittee members, the following points were addressed:

- the cost of the right of way for Sandoval County in relation to the PDV project;
- Sandoval County's gross receipts tax that pays for the Rail Runner;
- the inspection of state bridges annually by the DOT;
- endorsement by the congressional delegation for repair of the bridges; and
- the significance of endorsements for obtaining future federal grants.

The subcommittee recessed at 4:38 p.m.

Wednesday, November 4

Representative Little reconvened the meeting at 9:38 a.m.

Feasibility of Selling the Rail Runner; House Memorial 127 (2015) Report

In response to House Memorial 127 from the 2015 regular session, the DOT conducted a study of the operational and maintenance costs of the Rail Runner alongside the benefits and feasibility of selling the state's assets. Loren Hatch, deputy secretary of business support, DOT, and Frank Sharpless, director of the Transit and Rail Division, DOT, began by thanking the Rio Metro Regional Transit District (Rio Metro) for the data it supplied for the study.

Mr. Hatch first outlined the infrastructure and assets of the Rail Runner, referring the subcommittee to the map in the handout, which shows the DOT-owned rail alignment. He added that the DOT owns rolling stock of 22 passenger cars, nine locomotives and 14 stations. He described the Albuquerque subdivision of the Rail Runner line as approximately 100 miles long and extending from Belen to Lamy, which the DOT bought from the BNSF Railway and which is used by BNSF, the Amtrak's Southwest Chief and the Rail Runner. He described the Eldorado subdivision as being about 13 miles long, which was purchased from Santa Fe Southern Railway. Santa Fe Southern Railway still maintains the tracks and has some trackage rights, but it is not currently operating passenger or freight service.

In describing the relationship between the DOT and Rio Metro, Mr. Hatch explained that the DOT does not operate the Rail Runner directly but provides for its operation and maintenance through an agreement with Rio Metro. Rio Metro funds the continuing operations of the Rail Runner, as opposed to state or local governments. He referred to the handout for details of the costs for maintenance, which amounts to about $27 million, including insurance. He also indicated that Rio Metro's revenue sources come from a percentage of the gross receipts tax in various counties, federal grants, fare revenues and payment of usage fees from BNSF and Amtrak. Mr. Hatch explained that the DOT's main expenditures for the Rail Runner are in payment of the debt service for the Rail Runner infrastructure and property, which totals $693 million. He added that the DOT is looking for opportunities to lessen the burden by refinancing and restructuring this debt. The SRF is the primary source to pay this debt service, which takes away from doing other construction and maintenance projects throughout the state. "Cliff payments" are another major concern. Over the next nine years, the DOT projects that it will need to make annual debt payments that will slowly grow from over $26 million to nearly $30 million. However, in FY 2025 and FY 2026, the DOT will be required to make cliff payments of approximately $110 million in each year. He added that there are no federal funds available to pay this debt.

Turning to the feasibility of selling the Rail Runner assets now owned by the state, Mr. Hatch noted that the DOT has a number of contractual agreements with various railroad companies, Rio Metro, the federal government and tribal governments that would need to be addressed. He indicated that the terms and conditions of these agreements limit the ease with which a third party could purchase the Rail Runner assets, unless these agreements could be assigned to a purchaser or terminated as part of the sale. Mr. Hatch highlighted some examples of these limitations, including:

- BNSF Railway has an exclusive freight railroad easement on the portion that the DOT owns between Belen and Lamy, and its approval would be required for any other railroad to operate there;
- Amtrak's joint use agreement allows it to operate the Southwest Chief on Rail Runner tracks, and this agreement is not assignable without Amtrak's approval;
- there are significant insurance requirements in these agreements, which are perpetual, and all terms would have to be assigned or renegotiated in the case of a sale;
- the DOT's obligation to BNSF Railway includes maintaining the Rail Runner tracks to class 4 (passenger service) safety standards;
- the DOT has a significant debt service agreement of $693 million for the Rail Runner. It has paid about $218 million to date, with $475 million remaining. This obligation exists whether the Rail Runner is operating or not; and
- various agreements with local, tribal and federal governments for rights of way related to the presence of tracks on a major interstate highway would have to be reviewed.

Mr. Hatch then summarized the analysis provided in the DOT handout regarding the cost of replicating the Rail Runner service using buses. He said that the service would require 50 buses and an annual operating budget of $15 million.

In conclusion, Mr. Hatch said that the study indicates that it is unlikely that any party would be willing to pay enough to take care of the DOT's debt service so that it could purchase the railroad. Purchasers would also be restricted in their use of the railroad due to all existing agreements. It would be very difficult for a third party to operate the Rail Runner service in any profitable manner.

Subcommittee members engaged with the DOT presenters, and the following questions and points were raised:

- the amount of revenue that comes in annually to cover operations of the Rail Runner, which is about $24 million;

- the cost for insurance, which is $2.5 million, and the rate of insurance as related to losses;
- the possibility of increasing speeds on the Rail Runner between Albuquerque and Santa Fe and the cost of the upgrades needed to make that happen;
- the federal government funding available to the state for the Rail Runner;
- the possibility of renegotiating debt service and existing agreements to make the sale of the Rail Runner more likely;
- that Rio Metro currently has the funding to sustain the service as it is now but not to increase it;
- how the state can prepare for the cliff payments and the manner in which the DOT sets aside its debt service payments for the Rail Runner;
- the financial benefits for the Rail Runner when there are big events in the state, such as the Balloon Fiesta; and
- efforts being made to increase ridership on the Rail Runner, such as tying into the snow skiing market.

New Mexico DOT System Status Update

Ernest Archuleta, director of the Operations Division, DOT, and Elias Archuleta, chief engineer, DOT, updated the subcommittee on the state of the DOT's operations. Ernest Archuleta delineated the six districts and gave the district managers' names and responsibilities in each district. He said that staffing levels and lane miles have increased, while the DOT's budget has remained flat. Among the issues that the DOT faces are: high turnover due to low salaries; recruitment of only 10% to 15% of engineering students who graduate from New Mexico colleges; the deterioration created on roads due to heavy truck traffic; and the need to stay ahead of growth, especially in metropolitan areas.

Mr. Archuleta then referred the subcommittee to the pavement conditions rating within the DOT handout. He said that the percentage of roads reported as in "good condition" had dropped from 80% for FY 2015 to 70% for FY 2016 because the DOT combined reporting categories for New Mexico routes with other routes. He then reviewed a table outlining how to manage the roadway system over the next 35 years with a pavement preservation system. As part of its chip-seal program, the DOT accomplished improvements to 1,162 lane miles this year, he said. In reviewing accomplishments, Ernest Archuleta highlighted high-dollar items, citing differences between FY 2014 and FY 2015; expenditure differences between the two years amounted to approximately $12 million. The DOT will likely exceed $20 million in its snow- and ice-removal budget this year. He said that the asset value of the DOT's fleet is at $247 million and that the department needs $21 million annually for fleet management. He then reviewed the gap between what is budgeted and what is needed for maintenance, which amounts to over $107 million; the gap between the budget and the need for construction is $362 million.

Elias Archuleta reviewed the responsibilities of the Office of Infrastructure Divisions at the DOT, whose 279 employees provide engineering and design technical support. The Office of Infrastructure Divisions is the largest engineering firm in the state, he added. Its main responsibility is to manage projects for the statewide transportation improvement plan, which is a federally funded program for which projects are prioritized by the DOT based on safety, roadway conditions, economic development and congestion mitigation. Projects selected will balance available funding between statewide need and district priorities.

Elias Archuleta reviewed the six maintenance districts, managers and responsibilities. He said that 60% of the work is handled internally, with 40% going to outside consultants. One concern he spoke of is the loss of institutional knowledge. The DOT has an ongoing loss of experienced staff because salaries are about 20% below market for engineers. Finally, he reviewed FY 2015 project performance, which was calculated at 69% being "on time"; 77 projects were delivered for FY 2015.

Subcommittee members asked several questions, and the following issues were discussed:

- the start and end of the construction season, which differs per district depending on local weather patterns;
- a request for a presentation from the University of New Mexico's Bureau of Business and Economic Research related to generating jobs;
- engaging civic groups and schools in combating the heavy trash dumping problem in the state, including reviewing the fines and generating new ideas; and
- the increase in lane miles, which mainly comes from expansion of New Mexico highways 550 and 285.

Approval of Minutes

On a motion by Representative Gonzales to approve the October minutes, seconded by Representative Brown, the subcommittee adopted the minutes without objection.

Proposed Legislation

A subcommittee member said that because there does not seem to be a strong initiative to change the way the state is doing business, there is no legislation being brought forth by the subcommittee that is related to enhanced revenues. Mr. Edwards then explained the two bills before the subcommittee. Mr. Edwards said that the first bill, discussion draft .202319, was introduced in the house last session and that many states have something like this in law. The bill basically extends the cautionary requirement on drivers to include towing and repair vehicles in addition to emergency vehicles. There is not an appropriation tied to this bill, he added. Representative Gonzales remarked that he introduced this bill last year and that it is largely addressing a safety issue. In the ensuing discussion, Mr. Edwards clarified that the bill would strengthen a citation for reckless driving where a car is receiving roadside repair or preparing to be towed. It would also allow the DOT to place appropriate signage to emphasize driver caution where roadside repairs are happening.

Senator Smith asked the subcommittee if there were any objections to recommending this bill to the Revenue Stabilization and Tax Policy Committee (RSTP), and there were none.

Mr. Edwards continued with an explanation of the second piece of legislation, discussion draft .202268.1, a proposed constitutional amendment that would dedicate the use of revenues raised from any new motor vehicle fuel tax or fees to transportation infrastructure costs. A subcommittee member asked whether the dedication of these funds could be accomplished through statute. Mr. Edwards responded that if it were in statute, it would not bind future legislatures. A subcommittee member added that the state has a track record of diverting funds and that this amendment would guarantee that this money will go to roads. Another subcommittee member mentioned that if it were a constitutional amendment, voters who are eager to weigh in on this issue would be able to do just that. Senator Smith again asked subcommittee members if there were any objections to recommending this bill to the RSTP, and there were none.

Adjournment

There being no further business, the subcommittee adjourned at 12:18 p.m.

LEGISLATION Referred to the Revenue Stabilization and Tax Policy Committee for Potential Endorsement

Transportation Infrastructure Revenue Subcommittee
Legislation Referred to the Revenue Stabilization and Tax Policy
Committee for Potential Endorsement: December 2015

1) .202319.1 — Move over for roadside towing and repair vehicles.

2) .202268.1 — Proposed constitutional amendment dedicating new motor and motor fuel taxes and fees to transportation infrastructure.

HOUSE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO MOTOR VEHICLES; REQUIRING DURING ROADSIDE EMERGENCIES THAT DRIVERS APPROACH STATIONARY TOWING AND REPAIR VEHICLES AS THEY WOULD OTHER EMERGENCY VEHICLES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 66-7-332 NMSA 1978 (being Laws 1978, Chapter 35, Section 436, as amended) is amended to read:

"66-7-332. OPERATION OF VEHICLES ON APPROACH OF AUTHORIZED EMERGENCY VEHICLES.--

A. Upon the immediate approach of an authorized emergency vehicle displaying flashing emergency lights or when the driver is giving audible signal by siren, exhaust whistle or bell, the driver of every other vehicle shall yield the right of way and shall immediately drive to a position parallel to, and as close as possible to, the right-hand edge or curb of

underscored material = new
[~~bracketed material~~] = delete

the roadway clear of any intersection and shall stop and remain in that position until the authorized emergency vehicle has passed, except when otherwise directed by a police officer.

B. Upon approaching a stationary authorized emergency vehicle displaying flashing emergency lights, unless otherwise directed, the driver of a vehicle shall:

(1) if reasonably safe to do so, drive in a lane not adjacent to where the authorized emergency vehicle is stopped, decrease the speed of the vehicle to a speed that is reasonable and prudent under the circumstances and proceed with caution; or

(2) if it is not reasonably safe to drive in a lane not adjacent to where the authorized emergency vehicle is stopped, decrease the speed of the vehicle to a speed that is reasonable and prudent under the circumstances, proceed with caution and be prepared to stop.

C. This section shall not operate to relieve the driver of an authorized emergency vehicle from the duty to drive and park with due regard for the safety of all persons using the highway.

D. For the purposes of Subsections B and C of this section, "authorized emergency vehicle" includes roadside towing and repair vehicles."

HOUSE JOINT RESOLUTION

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

DISCUSSION DRAFT

A JOINT RESOLUTION

PROPOSING AN AMENDMENT TO ARTICLE 8 OF THE CONSTITUTION OF NEW MEXICO TO DEDICATE THE USE OF REVENUES RAISED FROM NEW TAXES AND FEES ON MOTOR VEHICLES AND MOTOR VEHICLE FUELS TO THE COSTS OF TRANSPORTATION INFRASTRUCTURE.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. It is proposed to amend Article 8 of the constitution of New Mexico by adding a new section to read:

"Revenue attributed to an increase in a tax, surcharge or fee imposed by the state on motor vehicle fuels or on the purchase, registration, sale or use of a motor vehicle that takes effect on or after January 1, 2017 shall only be appropriated for:

A. administering the law that imposes the tax, surcharge or fee;

B. paying debt acquired from the issuance of bonds for transportation infrastructure;

C. meeting the requirements of federal transportation assistance laws; and

D. planning, construction, maintenance and improvement of transportation infrastructure."

SECTION 2. The amendment proposed by this resolution shall be submitted to the people for their approval or rejection at the next general election or at any special election prior to that date that may be called for that purpose.