

**MINUTES
of the
SEVENTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**December 18, 2007
Room 307, State Capitol
Santa Fe**

The seventh meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order at approximately 9:20 a.m. by Representative Daniel P. Silva, chair, on Tuesday, December 18, 2007, in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Daniel P. Silva, Chair
Sen. Mary Kay Papan, Vice Chair
Rep. Richard J. Berry
Sen. Clinton D. Harden, Jr.
Rep. Patricia A. Lundstrom
Rep. Jane E. Powdrell-Culbert
Sen. Lidio G. Rainaldi
Rep. Henry Kiki Saavedra
Rep. Don L. Tripp
Sen. David Ulibarri

Advisory Members

Rep. Jose A. Campos
Rep. Ernest H. Chavez
Rep. Anna M. Crook
Rep. Candy Spence Ezzell
Rep. Daniel R. Foley
Sen. Mary Jane M. Garcia
Rep. Thomas A. Garcia
Rep. Roberto "Bobby" J. Gonzales
Rep. Ben Lujan
Sen. Richard C. Martinez
Rep. W. Ken Martinez
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton
Rep. James G. Taylor
Rep. Luciano "Lucky" Varela

Also Present

Rep. Ray Begaye

Staff

Absent

Rep. Janice E. Arnold-Jones
Rep. Elias Barela
Sen. Joseph J. Carraro
Rep. Dona G. Irwin
Sen. Nancy Rodriguez
Sen. H. Diane Snyder
Rep. Richard D. Vigil

Sen. Ben D. Altamirano
Sen. Vernon D. Asbill
Sen. Pete Campos
Sen. Kent L. Cravens
Sen. Dianna J. Duran
Sen. Stuart Ingle
Sen. Steven P. Neville
Sen. Leonard Lee Rawson
Sen. James G. Taylor
Rep. Thomas C. Taylor

Doris Faust
Cleo Griffith
Aldis Philipbar

Guests

The guest list is in the original meeting file.

Tuesday, December 18

Federal Funding Outlook and Highway Trust Fund Projections

Rhonda Faight, secretary of transportation, began by updating the committee on Governor Richardson's Investment Partnership (GRIP), a \$1.6 billion statewide transportation expansion and infrastructure project. GRIP was enacted by the state legislature during the 2003 special session. Secretary Faight highlighted the Department of Transportation's (DOT) accomplishments under GRIP during 2007. These accomplishments included: 58 highway projects valued at \$687 million awarded to construction contractors, 92 percent of which went to New Mexico contractors; 3,600 new construction jobs; and completion of Phase 1 of the Rail Runner Commuter Train. Secretary Faight also discussed the \$494 million funding shortfall on the remaining GRIP 1 projects. She said that this shortfall in funding is attributable to the 34 percent construction inflation experienced since the inception of the GRIP plan.

Secretary Faight reported that the federal Highway Trust Fund will be in a deficit in 2009, with more funds expended than will be put into the fund. Fiscal year 2009 for the Highway Trust Fund begins in October 2008, at which point there will be a large hole in funding unless some action is taken by the federal government. All 50 states are in the same condition with regard to the federal funding. Secretary Faight noted that it will require a lot of political will to raise the gas tax and that, at a minimum, a 10-cent per gallon increase would be needed to restore funding levels.

Johnny Cope, chair of the State Transportation Commission, discussed bond and debt service issues related to GRIP. He said that the State Transportation Commission discussed opening a \$200 million line of credit with the NMFA instead of selling bonds. He said that the commission is sensitive to the debt limit and asked the NMFA how it could bail out the plan if federal funding ceased. He said that the commission is concerned with moving forward while keeping the safety of the state in mind. Mr. Cope encouraged the legislature to find a new revenue source to finish the GRIP projects.

In response to questions from the committee, Secretary Faight said that regardless of how a bond is structured, the debt is the first thing to get paid. Right now, the DOT has an annual debt service payment of \$160 million. She also discussed the gas tax, stating that it has little to do with the price of gasoline. She said that New Mexico has the seventh-lowest gas tax, but the third-highest gas price. In response to questions about the funding shortfall, Secretary Faight said that many of the GRIP projects were increased in scope on the Senate floor, but no additional funding was provided. The committee requested information on the projects that were

changed. In response to questions about funding for the Rail Runner, Secretary Faught said that the Rail Runner had the least cost increase of the GRIP projects and that the difference was made up with investment interest and bond premiums. She said that over \$40 million in investment earnings go toward the Rail Runner. She also added that there would not have been a GRIP program at all if it were not for the commuter train. There was discussion among the committee about privatizing roads and paying for maintenance with toll earnings instead of taxes. The federal government has said that it will not provide funding for more roads. Mr. Cope said that state money for road maintenance is different than state money for the Rail Runner. He also said that the DOT does not need the entire \$490 million by next year to complete the GRIP projects. He said that the projects will be completed over several years. Mr. Cope also stated that semi trucks are harder on roads than cars and that the state should enforce the weight distance tax on out-of-state trucking companies. He said that there is potentially \$19 million to be made off of those taxes. In response to a question, Secretary Faught said that there are no new contracts being let under GRIP because the DOT does not award contracts unless the money for the project is in the bank. She also said that the DOT received \$14 million over two years in its last appropriation for road maintenance, which was divided equally among the districts.

Future GRIP Bond Issuance Concerns and the DOT Finance Plan

Mark Valenzuela, director, intergovernmental relations, NMFA, praised Secretary Faught and Mr. Cope, saying that they are doing an excellent job at looking forward. He said that the GRIP finance plan, as originally conceived, is coming together as planned.

George Williford, financial advisor, First Southwest, said that the fundamental funding plan for GRIP has not changed. He said that the original plan was that bonds would be issued over a six- to seven-year time frame and that the legislation provides that bonds cannot exceed 20 years. He said that the debt service is at \$162 million annually until 2010. He said that new bonds cannot be issued until then, so they are looking at alternative funding, such as commercial funding or a line of credit. Mr. Valenzuela added that the NMFA general counsel is looking at the legislation to see if the NMFA has the authority to issue a line of credit under GRIP. He said that the DOT has the ability to get a line of credit under GRIP.

In response to questions, Mr. Valenzuela said that if the original GRIP plan is adhered to, the bonds will be paid off by 2030. In response to a question about market fluctuations, Mr. Williford said that all of the bonds are at fixed rates, and he does not see anything that would fundamentally affect the funding plan. Mr. Valenzuela added that market fluctuations do affect investments.

NMFA Proposed Legislation

Mr. Valenzuela and Marquita Russell presented four bills that the NMFA proposed for committee endorsement. The bills were unanimously endorsed as follows:

- * an appropriation of \$2 million to the Drinking Water State Revolving Loan Fund, to be sponsored by Senator Snyder;
- * an appropriation of \$1 million to the Local Government Planning Fund was endorsed

with the stipulation that it be amended to limit all project funding to \$50,000. The bill will be sponsored by Senator Papen;

* a project list bill that authorizes the NMFA to fund projects from the Public Project Revolving Fund was endorsed after discussion. The committee expressed concern as to whether the project titles should be more specific to make it clear exactly what the community intends on doing with the funding. Ms. Griffith explained that the language was more specific in earlier bills, but became broader over the years to allow communities that do not have specific projects in December to be included. She said that the committee needs to think about what it wants to do about the statute that requires the NMFA to get authorization for these projects, and that may be a topic to be discussed during the next interim. Mr. Valenzuela said that the list opens up a dialogue between the NMFA and New Mexico communities about their capital outlay needs. He said that he will provide the committee members with a list of currently approved projects. The bill will be sponsored by Representative Varela; and

* a project list bill that authorizes the NMFA to make loans in the form of loan participations for private projects from the Economic Development Revolving Fund was also endorsed after discussion. The projects listed in the bill are not done deals, just opportunities for consideration. Fred Mondragon, secretary of economic development, spoke in favor of the bill, noting that the loan participation program is an important tool for the Economic Development Department. The bill will be sponsored by Representative Silva.

Minutes

Upon a motion made and seconded, the committee approved without objection the minutes from the September 2007, October 2007 and November 2007 meetings of the NMFA Oversight Committee.

Adjournment

There being no further business, the committee adjourned at 1:40 p.m.