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FISCAL IMPACT REPORT

ORIGINAL DATE 2/01/2006
 LAST UPDATED 2/16/2006 HB 833/aHTRC/aSFC

SPONSOR Silva

SHORT TITLE Severance Tax Bond Projects SB _____

ANALYST Moser/Hadwiger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
\$30,000.0		Non-Recurring	Severance Tax Bonds

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
\$30,000.0			Non-Recurring	Severance Tax Bonds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

NM Department of Transportation (NMDOT)

SUMMARY

Synopsis of the SFC Amendment

The Senate Finance Committee amendment to HB833 reduces the total amount of severance tax bond authorization from \$250 million to \$30 million and deletes the \$25 million appropriation for the spaceport. The authorization to issue the bonds would expire in April 2007. The amendment also changes the amount the NMDOT could use for engineering and design services for the remaining projects from \$500 thousand to “an amount equal to one-half percent of the project distributions from the fund.” The \$30 million in authorized bond funds would be used to pay for the remaining \$225 million in local government projects identified in the original bill as amended by HTRC “to the extent the money is available in the fund.”

This amendment also deletes language that was considered ambiguous in the FIR on the original bill whereby “any amount not certified for issuance in a fiscal year may be carried forward and credited against the amount to be certified in subsequent fiscal years.”

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to HB 833 expanded the scope for which the funding for the spaceport could be used beyond acquiring right of way and building a road to also include “transportation infrastructure improvements.” Additionally, the HTRC amendment allows the NMFA to issue payment to local government once the project has been certified by the NMDOT rather than waiting for submittal of invoices by NMDOT. This will allow the local governments to receive payment from NMFA prior to the actual completion of the project. A major change in scope was made to project 55 from constructing a new bus terminal for Navajo transit in McKinley County to “reconstruction and construction of Ramah (RN) 122 in Cibola County.

The HTRC amendment additionally increased/decreased funding on the following projects:

#	Description	Original	Amended
9	C-41, Pie Town rd and south Bloomfield rd to Ramah HS in Cibola County	\$450.0	509.4
17	Maxwell Avenue in Springer, Colfax County	\$5,600.0	\$4,000.0
54	County Road 001-A in McKinley County	\$3,840.6	\$3,840.6
110	Various roads in San Miguel County	\$0	\$1,600.0

Additional technical corrections were made throughout the bill. These were largely related to correcting how communities were referenced (city rather than village).

Synopsis of Original Bill

House Bill 833, creates the Severance Tax Transportation Fund and authorizes the State Board of Finance to issue and sell two hundred and fifty million dollars (\$250,000,000.00) in severance tax bonds at a rate of no more than fifty million dollars (\$50,000,000.00) per year from FY 2006 to FY2011. The proceeds of bond sales and earnings are to be deposited in the Severance Tax Transportation Fund. The purpose of the bonds is to partially fund transportation access to provide funding for only the 109 local government transportation projects specifically identified in the bill. The bill specifically states that “...money in the fund shall be distributed to the local governments for projects specifically authorized by the legislature.” Unlike the GRIP legislation this bill identifies projects and the maximum dollars allowed for each project. The bill declares an emergency and will take effect immediately.

FISCAL IMPLICATIONS

The appropriation of \$30 million contained in this bill is a non-recurring expense to the Severance Tax Bond Fund. The authorization would expire in at the end of FY07. The amount authorized in this bill is not sufficient to pay for all of the appropriations in Section Three; however, the amendment states that the funds are appropriated to the extent available. To some degree, this may reflect the provisions in Section Two requiring local government matches for these funds as some local governments may be unwilling or unable to provide timely matching funds.

SIGNIFICANT ISSUES

The bill establishes that the NMDOT is responsible for establishing funding priorities and qualifications for the transportation projects. Projects may only qualify for funding if submitted through NMDOT's regional or metropolitan planning organizations.

The NMDOT indicates that the bill provides funding to integrate the state and local transportation network. The projects were identified and proposed as critical projects for safety, economic development and mobility by local and tribal governments.

The NMDOT asserts that the 109 locally-identified projects contained within the bill were submitted through the Regional and Metropolitan Planning Organizations with active participation from local and tribal governments.

The local match, which NMDOT indicates may be in-kind services, federal funds, local government road fund appropriations, grants, or loans, required for these projects depends on the total project cost as follows:

- a project of one million dollars (\$1,000,000) or less requires a ten percent match;
- a project greater than one million dollars (\$1,000,000) but less than or equal to six million dollars (\$6,000,000) requires a twenty percent match; and
- a project with a total cost greater than six million dollars (\$6,000,000) requires a 30% match.

The NMDOT has indicated that it is also reviewing and developing criteria for hardship matching options.

The Department of Transportation may use earnings from investing the fund to pay for administrative costs associated with the fund and engineering costs. The bill does not identify what these administrative costs are or who would be eligible to receive them. Nor, does the bill differentiate between the engineering costs eligible under this language from the engineering and design services for specified projects as outlined in the prior paragraph.

The bill specifies the local projects, listing the dollar amount, purpose, and location. The attached table provided by NMDOT lists the projects, provides a brief description, dollar amounts and match requirements (See Attachment). The costs associated with these projects total \$225 million with local matching requirement of about \$64 million.

The NMDOT acknowledges that there is no schedule for these projects. Funds will be disbursed dependent upon project readiness and the availability of match. The bill allows for any amount not certified by the NMDOT for issuance in a fiscal year to be carried forward and credited against the amount to be certified in subsequent years.

PERFORMANCE IMPLICATIONS

NMDOT is charged with certification of project readiness to the New Mexico Finance Authority for disbursement of funds. Disbursement of funds will be based on project readiness and project financing match availability.

TECHNICAL ISSUES

In the original bill, there was concern that the following language in Section 1 A was unclear as to intent: “Any amount not certified for issuance in a fiscal year may be carried forward and credited against the amount to be certified in subsequent fiscal years” is unclear as to its intent. Does this mean that the amount certified in the following years may be increased by that amount or that the amount to be certified is reduced by that amount? It is suggested that the term “credited against” needs clarification. The SFC amendment deletes that language.

GM/DH/mt:yr