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FISCAL IMPACT REPORT

ORIGINAL DATE 1/18/2008

SPONSOR Silva LAST UPDATED 1/23/2008 HB 4/aHTPWC

SHORT TITLE Dept. Of Transportation Appropriation Act SB _____

ANALYST Moser

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$826,354.3	Recurring	State Road Fund, Local Gov't RF, Aviation Fund, Transportation Fund and Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 7

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	\$826,354.3		Recurring	State Road Fund, Local Gov't RF, Aviation Fund, Transportation Fund and Federal Funds

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 7

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Transportation (NMDOT)

SUMMARY

Synopsis of House Transportation & Public Works Amendment

House Bill 4, as amended by the HTPWC increases the appropriation to \$826,354.3 million of other state funds and federal funds. This increase is the result of the committee's use, at the agency's request, of existing fund balances to offset increasing pressures to meet construction and maintenance needs throughout the state in programs funded through the Local Government Road Fund and the Highway Infrastructure Fund.

The amendment also includes a projected compensation increase of 2.6 percent.

Synopsis of Original Bill

House Bill 4 appropriates \$813,388.7 of Other State Funds and Federal Funds to the New Mexico Department of Transportation (NMDOT) for the purpose of managing three (3) programs, within four (4) budget categories. It also defines the language and measurements as applied to the performance based budget measurements under the Government Accountability Act.

Significant issues on House Bill 4 are largely reflective of the Legislative Finance Committee (LFC) FY09 Budget recommendation. House Bill 4 reflects an overall increase from FY08 of \$9.4 million or 1%. The majority of this increase is the result of the Legislative Finance Committee recommendation and they are listed below. House Bill 4 reflects \$7.3 million of additional state revenue expected from the increased enforcement activities of the motor transportation division of the department of public safety (DPS).

FISCAL IMPLICATIONS

The House Transportation and Public Works amendment increases the appropriation to NMDOT for FY09 from \$813,988.6 million to \$826,354.3 million reflecting a total budget increase of 1.5 percent. This resulted in increases in the expenditure categories for: personal services of 4.5 percent, contractual services of 0.6 percent and other category of 1.6 percent.

Revenue adjustments were made based upon the NMDOT January revenue estimates, which reflected a decrease of \$3.49 million, and the department's request to include previously unbudgeted cash balances of \$14.8 million from existing funds. These are:

- the Local Government Road Fund (LGRF) for \$3 million to be used for increased program activity;
- the Highway Infrastructure fund (HIF) for \$5.5 million for use in planning, design, engineering, etc of projects pursuant to Laws of 1998, Chapters 84 and 85 (CHAT project roads); and,
- the State Road Fund (SRF) for \$6.3 million to provide improvements in SHARE (\$4 million) and \$2.3 million to increase support for the 100% state construction program.

The House Transportation and Public Works amendment includes an increase over the agency's request in personal services and benefits of \$8.1 million. This constitutes an increase of 4.5 percent above the agency request. This amount includes both a \$3.4 million (2.6 percent) increase in base compensation (this is consistent with the committee's practice), and an additional \$4.7 million over the HB 4 levels to correct serious under-budgeting by the agency in the areas of group insurance and supervisory pay.

The House Transportation and Public Works amendment includes a 100 percent state construction fund of \$22.05 million. This is inclusive of \$7.3 million anticipated revenue from enhanced compliance activities by both the Motor Transportation Division of the Department of Public Safety and the Taxation and Revenue Department and the \$2.3 million of SRF fund balance.

House Bill 4 appropriates \$813,388.7 to NMDOT for FY09 and funds the department's three (3) operating programs among (4) budget categories.

Programs and Infrastructure (P562):

- Personal Services and Employee Benefits reflects a 6% vacancy factor and includes an increase of \$475.4 over the agency's FY09 budget request.
- Contractual Services reflects an overall increase of \$5,176.0 which reflects an overall increase in agency's budget request.. The recommendation includes support for rail operations and \$13.1 million for the 100% State Construction Program.

- The Other Costs Appropriation reflects an overall decrease of \$1,826.5 from the agency's request and a decrease of \$2,793.3 from the executive recommendation. It also reflects an increase of \$12,160.4 from FY08 operating levels.
- The bill includes funding in support of increased multi-modal activities such as planning, transit, commuter rail maintenance and operations, aviation, and traffic safety.
- The bill includes language pertaining to the extension of prior year encumbrances for multiyear project construction:
 - The other state funds and federal funds appropriations to the programs and infrastructure program of the Department of Transportation pertaining to prior fiscal years may be extended into fiscal year 2009, but not to exceed three hundred twenty million dollars (\$320,000,000).
- House Bill 4 includes language pertaining to the 100% State Construction program as follows:
 - The other state funds appropriations to the programs and infrastructure program of the Department of Transportation includes thirteen million one hundred thousand dollars (\$13,100.0) for a state construction program.

Transportation & Highway Operations (P563):

- Personal Services and Employee Benefits reflect an increase of \$647.4 over the agency's FY09 budget request with a 6% vacancy factor.
- Contractual Services reflects an increase of \$6,785.9 over the agency's FY09 budget request. It also reflects an increase of \$7,177.2 over FY08 operating levels.
- The Other Costs Appropriation reflects an overall net decrease of \$2,723.0 from the agency's budget request.
- The bill includes language pertaining to the extension of prior year encumbrances for multiyear maintenance activities:
 - The other state funds and federal funds appropriations to the transportation and highway operations program of the Department of Transportation pertaining to prior fiscal years may be extended into fiscal year 2009, but not to exceed eighty million dollars (\$80,000,000).

Program/Business Support (P564):

- Personal Services and Employee Benefits reflect a 6% vacancy factor, approved expansion of \$157.2 over the agency's FY09 budget request.
- Contractual Services reflects a decrease of \$573.7 from the agency's FY09 budget request.
- The Other Costs Appropriation reflects an overall net decrease from the agency's budget request of \$2,332.6
- GSD/NMDOIT rates of \$15,054.0 are fixed costs and are budgeted within the Personal Services and Employee Benefits category and the Other Costs Category. This reflects an increase of \$1.7 million over FY08 operating levels.
- Other Financing Uses reflects \$6,914.0 of state road fund transfers to the Department of Public Safety's Motor Transportation Division. This reflects a \$914.0 increase over the agency's request.

The appropriation of \$813,388.7 contained in this bill is a recurring expense to the state Road Fund, Other State Funds and Federal funds. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the state road fund or applicable fund.

SIGNIFICANT ISSUES

The House Transportation and Public Works amendment includes the public transportation elements within the programs and infrastructure program. The NMDOT affirmed to the committee that it will prepare a rail program budget as a sub-budget of the programs and infrastructure program. This will result in a detailed operating budget. The NMDOT also indicated that budget status will be reported to both the

executive and the LFC on a quarterly basis. The amendment also converted all baseline temporary positions within the department to term positions.

Public transportation is included within the programs and infrastructure program. Revenues and expenditures are contained within program dollars and will be broken out by the department separately as it is rolled into subsequent budgets. This will allow for detailed analysis and management of these programs by the NMDOT.

\$7.3 million of additional state revenue was not included in the agency's budget request; however, LFC recommended this additional funding and is reflected in the bill within the revenue and expenditure amounts.

NMDOT expresses concern that the agency's request to convert baseline temps to baseline terms is not reflected in the bill's authorized FTE totals.

ADMINISTRATIVE IMPLICATIONS

HB4 includes an average 6% vacancy factor applied to the agency's Salaries and Benefits category. Because the NMDOT is not a General Fund agency, any proposed salary increases will increase operational costs. Any increased operational costs, must be maintained within existing Road Fund Revenue. These costs will be managed through higher vacancy rates or through an adjustment to the highway construction program.

OTHER SUBSTANTIVE ISSUES

The House Transportation and Public Works amendment addresses the issues raised regarding HB 4.

- The updated January state revenue estimates reflect a decrease in expected revenues and are not included in this bill which may require additional adjustments to the department's budget may be necessary.
- The funding of a proposed FY09 compensation package needs to be considered, being that the department normally does not get a General Fund appropriation for this.
- The bill does not reflect anticipated unbudgeted cash balances for FY08.