F I S C A L   I M P A C T   R E P O R T

SPONSOR Cisneros **ORIGINAL DATE** 01/27/10 **LAST UPDATED** **HB**

SHORT TITLE Transportation Project Bond Authorization **SB** 123

ANALYST Varela

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
None	None		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

Senate Bill 123 proposes to amend § 67-3-59.4 NMSA 1978 by reducing the authority for the New Mexico Finance Authority (NMFA) to issue bonds on behalf on the New Mexico Department of Transportation (NMDOT) to fund transportation projects authorized by Laws 2003 (1st S.S.), Chapter 3, Sections 27 and 28 (the "GRIP Legislation") from $1.58 billion to $1.35 billion, which represents a reduction of $234 million. Furthermore, the proposed legislation mandates that except for bonds necessary to make payments on existing debt obligations, after the bills effective date no additional bonds shall be issued pursuant to this amended section 67-3-59.4 and 67-3-59.3.

FISCAL IMPLICATIONS

According to DOT, there is no fiscal impact in FY11 because the department does not intend on requesting the NMFA to issue debt beyond the $1.35 billion of bond authority already issued.

SIGNIFICANT ISSUES

Senate Bill 123 reduces the authority of the Department of Transportation (DOT) and the New Mexico Finance Authority (NMFA) to issue debt to fund projects listed in the GRIP Legislation.

To date, $1.15 billion of GRIP bonds has been issued, which leaves approximately $434 million in bond authority. DOT has a $200 million line of credit which, according to its terms, will be converted to bonds in FY11, thus leaving approximately $234 million of bond authority. This bill eliminates that remaining authority.

DOT notes that the proposed legislation mandates that except for bonds necessary to make payments on existing debt obligations, after the bills effective date no additional bonds shall be issued pursuant to this amended section 67-3-59.4 and 67-3-59.3. According to DOT, there are two primary concerns. First, the $200 million line of credit will be not be considered an existing debt obligation. Second, as DOT evaluates opportunities to refund other existing debt obligations, notably the variable rate (SWAP) agreements, the termination payments due to extinguish the variable rate SWAP agreements will not be considered existing debt obligations. The termination payments could be as high as $60 to $80 million dollars.

GRIP Legislation authorized $1.585 billion in 2003, but the cost to complete the program has increased to approximately $2.6 billion. The department has identified a shortfall to complete GRIP of $368.5 million.

Issuing the remaining bond authority would increase the debt service for the department which affects the operational function of the department. Additional funds would be diverted towards debt service instead of operations and maintenance. Declining revenues into the State Road Fund (SRF) has not afforded the department the opportunity to increase their debt service. The latest revenue forecast is projecting $352.8 million of road fund revenue in FY10, down $46 million from the amount built into the FY10 operating budget. As a result, DOT implemented reductions to planned spending in order to maintain a balanced budget. Because out-year road fund revenue growth is expected to be moderate, DOT indefinitely deferred the issuance of bonds to maintain the current level of debt service.

TECHNICAL ISSUES

According to DOT, $200 million in bonds will be issued in FY11 to repay a $200 million line of credit the DOT established in 2008 for GRIP projects. This amount of debt has already been counted against the $1.585 billion of debt allowed under the GRIP Legislation. DOT suggests an amendment to the legislation to clarify that this debt issuance can proceed if the legislation is enacted.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The department would retain the ability to issue additional GRIP debt in the out-years of approximately $234 million.

AMENDMENTS

DOT proposes the following amendment:

Add “(A)” to the statutory reference in line 5 on page 4; add the words “including termination payments related to interest rate exchange agreements and interest rate swap contracts authorized by Section 67-3-59(C) and for state transportation refunding revenue bonds authorized by Section 67-3-59(B)” after “existing debt obligations”, so (F) would read:

"Except for bonds necessary to make payments on existing debt obligations, including termination payments related to interest rate exchange agreements and interest rate swap contracts authorized by Section 67-3-59(C) and for state transportation refunding revenue bonds authorized by Section 67-3-59(B), after the effective date of this 2010 act, no additional bonds shall be issued pursuant to this section and Section 67-3-59.3(A) NMSA 1978"

PTV/svb