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FISCAL IMPACT REPORT

ORIGINAL DATE 01/28/10

SPONSOR Sapient LAST UPDATED _____ HB _____

SHORT TITLE Exclude Projects from Transportation Bonds SB 177

ANALYST Varela

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|------|-------------------------|------------------|
| FY10 | FY11 | | |
| | NFI | | |

(Parenthesis () Indicate Expenditure Decreases)

Relates SB 181, SB 123

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)
 Attorney General's Office (AGO)
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 177 amends Section 27 of Laws 2003 (1st S.S.), Chapter 3 to eliminate portions of eleven projects from the authorization previously granted to the Department of Transportation to use the net proceeds of state transportation project bonds issued by the New Mexico Finance Authority pursuant to Section 67-3-59.3 NMSA 1978 and Section 26 of Laws 2003 (1st S.S.), Chapter 3.

FISCAL IMPLICATIONS

DOT reports no fiscal impact because there is insufficient funding available to construct the projects identified.

SIGNIFICANT ISSUES

DOT states that GRIP Legislation, passed in 2003, authorized the New Mexico Finance Authority (NMFA) to issue bonds on behalf of DOT to fund transportation projects in the

amount of \$1.585 billion. Senate Bill 177 removes projects from being eligible for construction with the GRIP bond funds previously authorized. DOT has determined that due to inflation in construction costs and project scope since the original legislation was passed, there is insufficient funding to construct the identified projects. DOT has identified a shortfall to complete the GRIP program of \$368.5 million.

In addition, the recession has reduced the amount of revenue flowing into the state road fund that could be used to fund additional debt service. The latest DOT 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 has 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 using the remaining authority of approximately \$234 million. The loss of this source of funding when combined with the existing shortfall of \$368.5 million means NMDOT is short approximately \$603 million in funding to complete the GRIP program.

According to DOT, the department would retain the ability to construct these projects with additional GRIP debt should there be additional unused funds identified from savings resulting from completed projects and interest earned on the funds.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 123 proposes to reduce the amount of bonding authority by \$234 million. The projects proposed for elimination are based on the total existing authority.

PTV/mew