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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/21/11

SPONSOR Larrañaga LAST UPDATED \_\_\_\_\_ HB 477

SHORT TITLE Severance Tax Bonds for Road Projects SB \_\_\_\_\_

ANALYST Kehoe

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
(\$150,000.0)		Nonrecurring	Severance Tax Bonds

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
\$150,000.0			Nonrecurring	State Road Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB 218 & SB 434

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Transportation (TRD)

#### Responses Not Received From

Department of Finance & Administration  
State Board of Finance

### SUMMARY

#### Synopsis of Bill

House Bill 477 authorizes the State Board of Finance to issue and sell severance tax bonds in an amount not to exceed \$150 million for deposit into the state road fund for the purpose of constructing, improving, or maintaining state highways and bridges pursuant to the Statewide Transportation Improvement Plan (STIP) and requires projects be selected in a manner to assure that all areas of the state are benefitted by the proceeds.

## **FISCAL IMPLICATIONS**

The \$150 million authorized from severance tax bond capacity contained in this bill is a non-recurring expense to severance tax capacity in fiscal year 2011. The authorization for use of the bond funds will expire if the Department of Transportation has not certified the need for the issuance of the bonds to the State Board of Finance by July 1, 2012. The proceeds authorized in this bill cannot exceed \$150 million and cannot be used to pay for indirect costs and construction must begin within 12 months following the sale of the bonds.

Severance tax bond net capacity in fiscal year 2011 is \$237.8 million (\$264.7 million gross less prior-year authorized unissued bonds totaling \$400 thousand and 10 percent of capacity equal to \$26.5 million for deposit into the water project fund).

## **SIGNIFICANT ISSUES**

House Bill 477 stipulates the funds authorized must be used for the construction, improvement, or maintenance of state highways and bridges pursuant to STIP and that projects be selected in a manner to ensure that all areas of the state are benefitted.

STIP is a component of the NMDOT transportation planning process. The projects are identified through various transportation management systems and planning process involving local and regional governments, Metropolitan Planning Organizations, Regional Planning Organizations, and other state agencies and the public. The department allocates resources to those projects assigned the highest priority through the established planning and programming processes.

In its analysis of this bill, NMDOT states “budget and service cuts have taken place over the last two years. NMDOT has experienced increased liability for vehicle damage from \$500,000 to \$1.0 million due to inadequately maintained roads since 2006.

NMDOT’s current Pavement Preservation Program four-year accumulated funding gap is \$213 million, which impacts 10,450 of unfunded lane miles throughout the state. In fiscal year 2010, NMDOT’s operations experienced a \$40 million shortfall due to revenue declines. The number of statewide deficient miles has also increased to 3,171 lane miles. Deficient miles generally indicate areas in need of reconstruction or rehabilitation that are beyond pavement preservation. It is anticipated that the number of deficient miles will increase in future fiscal years as preventive maintenance funding has declined.”

## **PERFORMANCE IMPLICATIONS**

NMDOT states, “The chip seal program is performed using state forces. The annual performance target for chip sealing is 2,500 lane miles statewide. This annual accomplishment is necessary to maintain a five to seven year cycle for chip sealing state roadways. The recent budget reductions have forced NMDOT into a twelve to fifteen year cycle for chip sealing state roadways. Concurrently, NMDOT experienced an increased cost of chip sealing, which is now \$11,800 per lane mile. This demonstrates a \$29.5 million need for NMDOT’s current annual chip seal program as compared to \$10.0 million in fiscal year 1997.”

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Senate Bill 434 authorizes the issuance and sale of short-term severance tax bonds in the amount of \$50 million for deposit in the state road fund for road projects statewide. Senate Bill 218 authorizes the issuance and sale of senior severance tax bonds in the amount of \$100 million for deposit in the state road fund for road infrastructure statewide.

**OTHER SUBSTANTIVE ISSUES**

As stated in NMDOT website, “many types of transportation programs and projects for moving people and freight are funded through the STIP. Typical projects range from preserving pavements, to fixing bridges and culverts, to screening overpasses or rock-slide areas to protect travelers below, to installing remote video cameras that show traffic conditions, to funding public transportation for the elderly, disabled and on automobile dependent.

Projects approved specifically to improve air quality are funded through the STIP, as are projects that increase capacity either by bidding more lanes or providing funds for bicycle, pedestrian and equestrian facilities and transportation demand management programs. Programs receiving the majority of funding in the SITP are Pavement Preservation, Pavement Rehabilitation and Reconstruction, Bridge Replacement and Rehabilitation, Safety and Railroad Safety.”

LMK/svb