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## FISCAL IMPACT REPORT

**SPONSOR** John Arthur Smith **ORIGINAL DATE** \_\_\_\_\_  
**LAST UPDATED** 02/04/12 **HB** \_\_\_\_\_

**SHORT TITLE** State Transportation Project Bonds **SB** 295

**ANALYST** Soderquist

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY12	FY13	FY14	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See Fiscal Impact Section				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to House Bill 4  
Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

Response Received From  
Department of Transportation

No Response Received From  
New Mexico Finance Authority

### SUMMARY

#### Synopsis of Bill

Senate Bill 295 amends Section 67-3-59.4 NMSA 1978 (being Laws 2003 (1<sup>st</sup> S.S.)), Chapter 3, Section 26. The original legislation authorized the New Mexico Finance Authority to issue state transportation bonds for projects specified in Sections 27 and 28 of Laws 2003 (1<sup>st</sup> S.S.), Chapter 3 up to an amount of \$1,585,000,000. The proposed legislation lowers the authorized amount to \$1,350,400,000 and excludes certain transportation projects previously authorized under statute. The proposed legislation also contains the following amended language: "F. Except for bonds necessary to make payments on existing debt obligations, after the effective date of this 2012 act, no additional bonds shall be issued pursuant to this section and Section 67-3-59-3 NMSA 1978."

### FISCAL IMPLICATIONS

Senate Bill 295 is related to the GRIP legislation passed in 2003 that authorized the issuance of \$1.585 billion in bonds to be used for 125 projects within 40 corridors. As of February 2012:

- \$1.3504 billion in bonds have been issued for use in the development and construction of a portion of the 125 projects;
- 101 projects have been developed and let out to construction with the majority of those completed;
- Five projects are in the latter design stages and will be let out to bid by the summer of 2012;
- Nineteen projects are identified as not currently being funded and have been shelved at some design stage.

The State Transportation Commission (STC), as authorized under those laws, has made a policy decision not to issue the remaining \$234.6 million in bonding capacity.

Senate Bill 295 proposes to eliminate the remaining bonding authority of \$234.6 million, reducing the bonding authority to \$1.3504 billion. The proposed legislation eliminates the authority to issue bonds that would have otherwise been issued to support the remaining nineteen projects.

### **SIGNIFICANT ISSUES**

The response from the New Mexico Department of Transportation (NMDOT) reflects an understanding of the intent of the proposed legislation given the substantial debt obligations of the state, but suggests that as written it creates several constraints that negatively impact its ongoing efforts to re-finance outstanding debt and exit variable rate swaps. This would create substantial savings and increase the funding available for maintenance, re-construction, and construction across the state. In particular, the department makes the following comments:

- SB 295 should permit the NMDOT to issue bonds for the purpose of refinancing and restructuring outstanding bonds. Such issuance(s) should be permitted even if the resulting new principal amount is greater than the replaced principal amount, so long as such refinancing and restructuring are directed to achieving a fixed interest rate on the outstanding bonds which, when taking into account principal, interest, fees and liquidity costs throughout the life of the bonds, will result in debt service certainty, decreased risk caused by market fluctuations and limit NMDOT's cost of borrowing.
- SB 295 eliminates the ability of the NMDOT to complete certain projects. Insofar as it excludes specific projects previously authorized under existing statute, it could impact the remaining bond proceed account balances for which bonds have already been issued.
- SB 295 should allow NMDOT flexibility to complete projects currently authorized. NMDOT states that its strategy has been to prioritize and apply any available savings and balances to the next priority project on the unfunded list of projects. Therefore, NMDOT anticipates some balance to be available which it would propose applying to one or more priority projects on that unfunded list, but the proposed legislation limits the capacity of NMDOT to complete one or more of the projects on that list.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB 295 relates to House Bill 4, Department of Transportation Act

**TECHNICAL ISSUES**

See Amendments

**AMENDMENTS**

The NMDOT suggests the following amendment:

"Except for bonds necessary to make payments on existing debt obligations, including without limitation bonds issued to reduce or eliminate outstanding variable rate debt and associated interest rate swap contracts and contracts providing for payments based on levels of or changes in interest rates, no additional bonds shall be issued pursuant to this section and Section 67-3-59.3." or

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Existing bonding authority would remain and projects identified in current statute would be eligible for funding.

**POSSIBLE QUESTIONS**

ANA/lj