

<b>LFC Requester:</b>	<b>Torres</b>
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**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

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*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply:  
**Original**        **Amendment**      
**Correction**        **Substitute**   

**Date** 1/23/24  
**Bill No:** HB 146

**Sponsor:** Brown  
**Short Title:** Transportation Trust Fund

**Agency Name and Code**    SIC 337  
**Number:** \_\_\_\_\_  
**Person Writing**    Iglesias  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	\$400,000.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26	FY27	FY28		
--	(\$20,030.0)	(\$20,490.0)	(\$20,510.0)	(\$20,650.0)	Recurring	General Fund (electricity TGR)
--	\$20,030.0	\$20,490.0	\$20,510.0	\$20,650.0	Recurring	Transportation Trust Fund (electricity TGR)
--	--	(\$1,246.0)	(\$1,372.0)	(\$16,409.0)	Recurring	General Fund (capital outlay reversions)
--	--	\$1,246.0	\$1,372.0	\$16,409.0	Recurring	Transportation Trust Fund (capital outlay reversions)
--	(\$82,345.0)	(\$84,721.0)	(\$176,900.0)	(\$182,700.0)	Recurring	General Fund (MVX)
--	\$36,816.0	\$37,878.0	\$83,818.0	\$86,566.0	Recurring	State Road Fund (MVX)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26	FY27	FY28		
--	(\$10,507.0)	(\$10,810)	\$3,723.0	\$3,845.0	Recurring	Transportation Project Fund (MVX)
--	\$56,036.0	\$57,653.0	\$89,358.0	\$92,288.0	Recurring	Transportation Trust Fund (MVX)
--	--	--	--	\$25,396.3	Recurring	State Road Fund (distribution from Transportation Trust Fund)
--	<b>(\$102,375.0)</b>	<b>(\$106,457.0)</b>	<b>(\$198,782.0)</b>	<b>(\$219,759.0)</b>	<b>Recurring</b>	<b>TOTAL General Fund</b>
--	<b>\$36,816.0</b>	<b>\$37,878.0</b>	<b>\$83,818.0</b>	<b>\$111,962.3</b>	<b>Recurring</b>	<b>TOTAL State Road Fund</b>
--	<b>(\$10,507.0)</b>	<b>(\$10,810.0)</b>	<b>\$3,723.0</b>	<b>\$3,845.0</b>	<b>Recurring</b>	<b>TOTAL Transportation Project Fund</b>
--	<b>\$76,526.0</b>	<b>\$79,409.0</b>	<b>\$111,380.0</b>	<b>\$129,347.0</b>	<b>Recurring</b>	<b>TOTAL Transportation Trust Fund (NEW)</b>

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: HB 42, SB 116

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

House Bill 146 appropriates \$400 million from the general fund in FY25 to a newly created Transportation Trust Fund (TTF) to be invested by the State Investment Council (SIC) in consultation with the State Treasurer and in accordance with the Uniform Prudent Investor Act. Beginning in FY28, the new TTF will distribute 5 percent of a rolling 3-year average to the State Road Fund to be expended only on Department of Transportation's (NMDOT) prioritized projects. The bill also includes a provision to allow for expenditure from the TTF to shore up general fund balances in the event of a revenue downturn, provided that the balances of the general fund, general fund operating reserve, tax stabilization reserve, and to tobacco settlement permanent fund are exhausted.

The bill transfers any general fund capital outlay balances that are unexpended/unencumbered within the period specified by law to the TTF.

Sections 3 and 4 of the bill also create two continuing revenue sources for the TTF. Section 3 distributes 1 percent of the taxable gross receipts attributable to the sale of electricity to the TTF. Section 4 of the bill creates a new distribution of motor vehicle excise tax (MVX) revenues and

associated penalties to the TTF as follows:

- Prior to July 1, 2026 (FY25 and FY26)
  - 30 percent to the General Fund
  - 35 percent to the State Road Fund
  - 15 percent to the existing Transportation Project Fund
  - 20 percent to the new Transportation Trust Fund
- After July 1, 2026 (FY27 and beyond)
  - 50 percent to the State Road Fund
  - 20 percent to the existing Transportation Project Fund
  - 30 percent to the new Transportation Trust Fund
  - Note, if gross receipts tax revenue in any fiscal year between FY29 and FY40 are less than 90 percent of the prior fiscal year’s GRT revenue, then the distribution is as follows:
    - 50 percent to the general fund
    - 20 percent to the State Road Fund
    - 15 percent to the existing Transportation Project Fund
    - 15 percent to the new Transportation Trust Fund

The effective date of this bill is July 1, 2024.

## FISCAL IMPLICATIONS

The new Transportation Trust Fund (TTF) is seeded with a \$400 million appropriation from the general fund in FY25. The new TTF will also receive recurring contributions equal 1 percent of taxable gross receipts from the sale of electricity, a portion of motor vehicle excise tax revenues, and reversion from unexpended/unencumbered general fund capital outlay appropriations. For each of these recurring contributions, we used estimates provided by LFC staff to determine the total impact to the TTF.

The table below provides a simplified example of potential investment returns for the TTF and subsequent distributions from the TTF to the State Road Fund.

Calendar Year	Transportation Trust Fund (\$millions)								Distributions	
	Beginning Balance	Appropriation from General Fund	Contribution from electricity TGR	Contribution from MVX	Contribution from GF capital outlay reversion	Distribution to State Road Fund	Gains & Losses	Ending Balance	Fiscal Year	State Road Fund
2024	\$ -	\$ 400.0				\$ -	\$ -	\$ 400.0	FY24	n/a
2025	\$ 400.0	\$ -	\$ 20.0	\$ 56.0		\$ -	\$ 28.0	\$ 504.1	FY25	n/a
2026	\$ 504.1	\$ -	\$ 20.5	\$ 57.7	\$ 1.2	\$ -	\$ 35.3	\$ 618.7	FY26	n/a
2027	\$ 618.7	\$ -	\$ 20.5	\$ 89.4	\$ 1.4	\$ (25.4)	\$ 42.4	\$ 747.0	FY27	n/a
2028	\$ 747.0	\$ -	\$ 20.7	\$ 92.3	\$ 16.4	\$ (31.2)	\$ 51.2	\$ 896.4	FY28	\$ 25.4
2029	\$ 896.4	\$ -	\$ 20.9	\$ 95.1	tbd	\$ (37.7)	\$ 61.4	\$ 1,036.1	FY29	\$ 31.2
2030	\$ 1,036.1	\$ -	\$ 21.1	\$ 98.1	tbd	\$ (44.7)	\$ 71.0	\$ 1,181.6	FY30	\$ 37.7
2031	\$ 1,181.6	\$ -	\$ 21.3	\$ 101.1	tbd	\$ (51.9)	\$ 80.9	\$ 1,332.9	FY31	\$ 44.7
2032	\$ 1,332.9	\$ -	\$ 21.5	\$ 104.2	tbd	\$ (59.2)	\$ 91.2	\$ 1,490.7	FY32	\$ 51.9
2033	\$ 1,490.7	\$ -	\$ 21.7	\$ 107.4	tbd	\$ (66.8)	\$ 102.0	\$ 1,655.1	FY33	\$ 59.2
2034	\$ 1,655.1	\$ -	\$ 22.0	\$ 110.7	tbd	\$ (74.6)	\$ 113.2	\$ 1,826.4	FY34	\$ 66.8
2035	\$ 1,826.4	\$ -	\$ 22.2	\$ 114.1	tbd	\$ (82.9)	\$ 124.9	\$ 2,004.8	FY35	\$ 74.6
2036	\$ 2,004.8	\$ -	\$ 22.4	\$ 117.7	tbd	\$ (91.4)	\$ 137.1	\$ 2,190.6	FY36	\$ 82.9
2037	\$ 2,190.6	\$ -	\$ 22.6	\$ 121.3	tbd	\$ (100.4)	\$ 149.8	\$ 2,383.9	FY37	\$ 91.4
2038	\$ 2,383.9	\$ -	\$ 22.9	\$ 125.0	tbd	\$ (109.7)	\$ 163.0	\$ 2,585.2	FY38	\$ 100.4
2039	\$ 2,585.2	\$ -	\$ 23.1	\$ 128.9	tbd	\$ (119.3)	\$ 176.8	\$ 2,794.7	FY39	\$ 109.7
2040	\$ 2,794.7	\$ -	\$ 23.3	\$ 132.8	tbd	\$ (129.4)	\$ 191.1	\$ 3,012.5	FY40	\$ 119.3

Return expectations for funds the Council manages range from 5.1 percent (Tax Stabilization Reserve) to 7 percent (the long-term return target for the Land Grant Permanent Fund). Because the proposed TTF would have sizeable recurring contributions and a spending policy similar to the LGPF (5 percent of a rolling average), staff assume a 7 percent annual return for the purpose of this analysis; however, actual return expectations would ultimately depend on the fund's asset allocation.

Under these assumptions, both the balance of the TTF and the size of the distributions to the State Road Fund have potential to grow over time.

## **SIGNIFICANT ISSUES**

### **PERFORMANCE IMPLICATIONS**

The State Investment Officer, with the approval of the State Investment Council would manage the TTF in accordance with the Uniform Prudent Investor Act and would seek to ethically optimize risk-adjusted returns and grow the fund over time.

The Council does not currently have a "boilerplate" asset allocation for any fund, including the proposed TTF, but it is a fair assumption that the new fund could/would be constructed in a manner similar to other permanent/trust funds managed by the SIC.

### **ADMINISTRATIVE IMPLICATIONS**

This bill will require additional time from investment and administrative staff at the State Investment Office. However, the additional resources required can be addressed through the SIO's ordinary budgeting process.

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

House Bill 42 also creates a Transportation Trust Fund, with the primary difference between the two bill being that HB42 does not include provisions for recurring contributions into the trust fund and does not specify an appropriation amount with which to seed the fund.

Section 1-E of this bill may conflict with SB119, which seeks to remove the Tobacco Settlement Permanent Fund from the state's reserves.

### **TECHNICAL ISSUES**

### **OTHER SUBSTANTIVE ISSUES**

### **ALTERNATIVES**

This bill draws language identical to that in existing statute 6-4-2.2, which calls for the state investment officer to invest the Tax Stabilization Reserve (TSR) "...in consultation with the state treasurer."

When the legislature changed law to transfer management of the Tax Stabilization Reserve from the State Treasurer's Office to the State Investment Council several years ago, the inclusion of the Treasurer as a special advisor to the State Investment Officer was deemed appropriate.

However, in this case, the TTF will be a completely new fund, to be managed and overseen by the 11-member Council, which already includes the State Treasurer. For the TTF, there is no particular reason to grant the Treasurer additional powers over and above the other 10-members of the Council.

It is important however, for the Council as manager of the TTF to properly understand the long-term goals and risk/return appetite of the fund's "client" to appropriately allocate the funds in question. In this case, we would suggest the Secretary for the Department of Transportation would be properly consulted in this regard, and could replace the state treasurer (page 2, line 5), who will already be involved in the management process around the TTF due to her ex-officio role on the State Investment Council.

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

### **AMENDMENTS**