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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 3

SHORT TITLE: Dept. of Transportation Act of 2026

SPONSOR: De La Cruz/Lara

LAST ORIGINAL
UPDATE: _____ **DATE:** 1/21/2026 **ANALYST:** Simon

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	\$570,405.0	Recurring	State Road Fund
	\$111,928.0	Recurring	Other State Funds
	\$590,046.0	Recurring	Federal Funds
Total	\$1,272,379.0	Recurring	

*Amounts reflect most recent analysis of this legislation.

Relates to an appropriation in the General Appropriation Act

Sources of Information

LFC Files

SUMMARY

Synopsis of House Bill 3

House Bill 3 (HB3) includes FY27 operating budget appropriations for the Department of Transportation (NMDOT) based on the Legislative Finance Committee's FY26 budget recommendation. It includes performance measures and targets.

HB3 appropriates \$1.272 billion, including \$682.3 million from state funds and \$590 million from federal funding sources, to support the operational activities of NMDOT in FY27.

FISCAL IMPLICATIONS

NMDOT revenues come from two sources: the state road fund, primarily used for highway maintenance, and federal funding awards, primarily used for construction and debt service payments. HB3 appropriates state funds totaling \$682.3 million, including \$570.4 million from the state road fund and \$111.9 million in restricted state funds. In addition, HB3 appropriates \$590 million in federal funds.

HB3 includes a total of \$256.5 million for NMDOT personnel, an increase of \$4.6 million, or 1.8 percent. The agency will see significant increase in personnel cost from legislation passed in 2025 to increase the department's share of employee's health insurance premiums, with an estimated cost of \$7 million, and from increased liability insurance premiums, costing a total of \$5.1 million. HB3 also includes \$556 million for road construction and rehabilitation projects, \$61.6 million in contract road maintenance, and \$48.4 million in field supplies and equipment used by NMDOT staff to perform road maintenance. HB3 includes a total of \$84.8 million for local government road projects, with \$29 million from the local government road fund and \$55.8 million from the transportation project fund.

House Bill 3 is typically consolidated with House Bill 2 as the House Appropriations and Finance Committee substitute for House Bills 2 and 3, or the General Appropriation Act.

SIGNIFICANT ISSUES

NMDOT forecasts state road fund revenue every January and July, budgeting projected revenue in the request. For FY27, NMDOT's January forecast showed a 1 percent increase from the road fund. The largest sources of revenue to the road fund are fuel taxes, generating 46 percent of total revenue; fees on commercial trucking, accounting for 24 percent of revenue; and taxes on vehicle sales and registration fees, amounting to 28 percent of revenue.

While the NMDOT budget has benefited from revenue increases in recent years, the department is forecasting slower growth in the future, due in large part to rising fuel economy in vehicles and stagnating gasoline tax revenue. NMDOT staff have noted construction bid costs have been increasing, with average cost escalations of 20 percent since 2020. Between now and 2030, NMDOT economists expect road fund revenues to grow by 6 percent, but over the long term, NMDOT economists expect road fund revenue to decline by 15 percent by 2050. As road users transition to low- or zero-emission vehicles, a smaller share of road users will be paying gasoline taxes.

For FY27, the department has \$465.1 million in outstanding debt obligations, down from more than \$1 billion in FY24. FY27 debt service payments appropriated in HB3 total \$122.1 million, including \$101.5 million in debt principal and \$20.6 million in interest payments. NMDOT's debt repayment schedule calls for a temporary spike in debt service payments of \$11.3 million in FY27; the department debt plan calls for federal funds to pick up these additional payments. In FY28, debt service payments will fall to \$111 million per year until FY31, when payments will total \$8.9 million. The department's current debt will be fully retired in FY31.

PERFORMANCE IMPLICATIONS

HB3 includes key performance metrics for the department, including metrics for on-time project bidding and project completion, statewide road conditions, and traffic fatalities. The department most recent road condition survey from 2024 reported a spike in the number of lane miles rated in poor condition, with 7,080 lane miles in poor condition, up from 5,696 in 2023. In 2021, the department reported 1,451 lane miles were in poor condition. Only 84 percent of interstate lane miles are in fair or better condition, below the performance target of 91 percent and only 70 percent of non-interstate lane miles are in fair or better condition, below the performance target of 80 percent. More information on NMDOT's performance can be found in LFC's performance [dashboards](#).

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The contents of House Bill 3 are part of the House Appropriations and Finance Committee substitute for House Bills 2 and 3, the General Appropriation Act.

House Bill 3 relates to Senate Bill 2, which would provide NMDOT with an estimated \$69 million in additional revenue to the state road fund for use in repaying debt authorized by the bill.

JW/sgs/hg/sgs