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FISCAL IMPACT REPORT

SPONSOR <u>De La Cruz/Lara/Hochman- Vigil/Lundstrom/Brown</u>	LAST UPDATED <u>2/22/2025</u> ORIGINAL DATE <u>2/12/2025</u>
SHORT TITLE <u>Dept. of Transportation Act of 2025</u>	BILL NUMBER <u>House Bill 3/aHTPWC</u>
ANALYST <u>Simon</u>	

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$591,895.0	Recurring	State Road Fund
	\$121,944.5	Recurring	Other State Fund
	\$10,300.0	Recurring	Interagency Funds
	\$579,513.8	Recurring	Federal Funds
	\$1,303,653.3		Total

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to the General Appropriation Act

Sources of Information

LFC Files

SUMMARY

Synopsis of HTPWC Amendment to House Bill 3

The House Transportation, Public Works and Capital Improvements Committee amendment to House Bill 3 (HB3) includes FY26 operating budget appropriations for the Department of Transportation (NMDOT) as recommended by the consensus technical group consisting of staff of the Department of Transportation, the Legislative Finance Committee, the Department of Finance and Administration, and the House Transportation, Public Works and Capital Improvements Committee.

HB3 appropriates \$1.303 billion, including \$724 million from state funds and \$580 million from federal funding sources to support the operational activities of NMDOT in FY26.

Synopsis of Original Bill

House Bill 3 (HB3) includes FY26 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 \$1.304 billion, including \$725 million from state funds and \$579 million from

federal funding sources to support the operational activities of NMDOT in FY26.

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 \$724.1 million, including \$591.9 million from the state road fund and \$121.9 million in restricted use state funds. In addition, HB3 appropriates \$579.5 million in federal funds and \$10.3 million from the weight-distance permit identification fund.

House Bill 3 was consolidated with House Bill 2 and is now part of the House Appropriations and Finance Committee substitute for House Bills 2 and 3, the General Appropriation Act.

SIGNIFICANT ISSUES

NMDOT forecasts state road fund revenue every January and July, budgeting projected revenue in the request. For FY26, NMDOT's January forecast showed a 2.1 percent increase from the road fund. The largest sources of revenue to the road fund are fuel taxes, generating 44 percent of total revenue; fees on commercial trucking, accounting for 23 percent of revenue; and taxes on vehicle sales and registration fees, amounting to 29 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 FY26, the department has \$575 million in outstanding debt obligations, down from more than \$1 billion in FY24. Reductions in the debt service for FY25 allowed the agency to reduce expenditure in the other costs category of the project design and construction program and reallocate these funds, but debt service payments are expected to remain largely steady at about \$111 million per year through FY30. In FY31 those payments will fall to \$8.8 million and be fully paid off by FY32.

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. While the department has been successful in getting projects out to bid on time, in FY24 the agency saw only 74 percent of projects completed on time. The percentage of road miles in fair or better condition are meeting performance targets, but the overall condition is down slightly from prior years. While the number of fatalities on New Mexico's roadways have fallen, New Mexico has among the highest rate of motor-vehicle related fatalities in the country and the highest rate of pedestrian fatalities.

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.

JWS/hj/SL2/hg