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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 108/aHAAWC

SHORT TITLE: Watershed District Taxes and Directors

SPONSOR: Dow/Herrera

LAST **ORIGINAL**
UPDATE: 1/30/2026 **DATE:** 1/26/2026 **ANALYST:** Faubion

REVENUE* (dollars in thousands)

| Type | FY26 | FY27 | FY28 | FY29 | FY30 | Recurring or Nonrecurring | Fund Affected |
|--------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------|---------------------|
| Property Tax | Indeterminate but minimal gain | Indeterminate but minimal gain | Indeterminate but minimal gain | Indeterminate but minimal gain | Indeterminate but minimal gain | Recurring | Watershed Districts |

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Secretary of State

NM Department of Agriculture

Energy, Minerals and Natural Resources Department

Agency or Agencies That Were Asked for Analysis but did not Respond

Taxation and Revenue Department

Department of Finance and Administration

New Mexico Finance Authority

Office of the State Engineer

SUMMARY

Synopsis of HAAWC Amendment to House Bill 108

The House Agriculture, Acequias and Water Resources Committee amendment to House Bill 108 (HB108) makes a technical correction of language recommended by the Secretary of State for the implementation of a ballot question regarding the imposition of a property mill.

Synopsis of House Bill 108

House Bill 108 (HB108) amends the Watershed District Act to clarify governance, appointment procedures, and taxing authority related to watershed districts and soil and water conservation districts. The bill revises statutory definitions and clarifies the process for appointing members to

watershed district boards of directors, including the appointment of additional directors and the filling of vacancies when a watershed district spans more than one soil and water conservation district.

The bill requires a soil and water conservation district to levy a property tax assessment at the request of a watershed district within its boundaries, subject to existing statutory rate limitations and approval requirements. It clarifies that the board of supervisors of the soil and water conservation district is responsible for approving watershed district budgets, levying assessments, and authorizing expenditures of assessment revenues.

The bill also repeals certain provisions related to voter-approved supplemental levies for loan repayment and aligns loan repayment authority with existing levy provisions. Additional conforming changes clarify the roles of watershed district boards, soil and water conservation district supervisors, and county assessors in budgeting, assessment, collection, and expenditure of watershed district funds.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The bill could result in increased property tax assessments in areas served by watershed districts by requiring soil and water conservation districts to levy assessments requested by watershed districts, subject to statutory rate limitations and applicable approval requirements, including voter approval through a referendum where required. In circumstances where a watershed district elects to request a levy that might not otherwise have been imposed, landowners within the watershed district could experience higher property tax bills.

Any potential increase in property tax assessments would be constrained by existing statutory levy caps, budget approval requirements, and procedural safeguards. In addition, the authorized assessments are special levies under the Property Tax Code and are imposed only within the affected watershed districts. As a result, these levies do not affect the general obligation bonding capacity or the general obligation bond fund. Given the limited number of watershed districts and the relatively small authorized levy rates, any increase in property tax collections attributable to the bill is expected to be limited and not significant on a statewide basis.

SIGNIFICANT ISSUES

The NM Department of Agriculture notes:

Watershed districts (districts) are subdistricts of soil and water conservation districts (SWCDs) formed for the primary purpose of preserving and protecting New Mexico's land and water resources. Per the Watershed District Act (73-20-1 through 73-20-24 NMSA 1978), the land area in districts must be contiguous and lie within a well-defined watershed area or subwatershed areas; they may incorporate lands within a single or multiple SWCDs. Governed by a board of directors, districts develop plans and programs to support the conservation or use of water, including water-based recreation; the prevention of flooding or erosion; and the control of flooding, erosion, and related damage. With the budget approval of the supervising SWCD(s), watershed districts are

currently authorized to establish a mill levy on landowners of up to \$5 to support their activities. There are eight watershed districts in New Mexico.

Prior to July 1, 2025, watershed district boards of directors were elected pursuant to the Local Election Act (Chapter 1, Article 22 NMSA 1978). In the 2025 legislative session, HB431 amended the Watershed District Act, so that watershed district directors are now appointed by the board of supervisors of the supervising SWCD(s). This change has caused unintended legal issues related to watershed districts' ability to collect a mill levy. Per Article VIII, Section 9, of the New Mexico Constitution, political subdivisions of the state must be elected to have mill levy authority: "No tax or assessment of any kind shall be levied by any political subdivision whose enabling legislation does not provide for an elected governing authority." HB108 intends to correct this issue by putting the watershed district mill levy authority under the special powers of the elected board of supervisors for the SWCD(s). If this bill is not enacted, SWCDs will not be expressly authorized to levy a property assessment on behalf of their watershed districts and those watershed districts will face legal barriers to their ability to collect a mill levy.

The Energy, Minerals and Natural Resources Department notes:

HB108 restores watershed districts and SWCDs with the ability to obtain more reliable and predictable funding to carry out the purposes of the Watershed District Act, including "the conservation, development, utilization, flood prevention and disposal of water" to protect New Mexico's land and water resources [73-20-3 NMSA 1978]. By re-enabling districts to generate matching funds, the bill increases their ability to leverage federal and state grants and undertake locally driven watershed restoration, wildfire-risk reduction, and post-fire flood-mitigation projects.

The bill also addresses several long-standing structural challenges in watershed district governance and funding that have hindered effective watershed management. Many watershed districts currently operate under outdated or unclear governance rules, leading to inconsistent board composition, appointment processes, and administrative practices. HB108 modernizes these provisions, clarifies appointment authority, and strengthens board functionality, making watershed districts more effective partners for state agencies engaged in forest and watershed restoration.

Finally, the bill resolves a persistent barrier in current law: SWCDs may refuse or delay tax-levy requests from watershed districts, limiting local capacity to implement critical projects. HB108 removes this barrier by requiring SWCDs to levy taxes when requested, within statutory limits.

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House Bill 108 clarifies the statutory relationship between watershed districts and soil and water conservation districts by requiring soil and water conservation districts to levy property tax assessments requested by watershed districts, subject to existing statutory limitations and approval requirements. By aligning levy authority with watershed district budget decisions, the bill may provide watershed districts with a more predictable and reliable funding mechanism to support watershed management, infrastructure, and maintenance activities.

The bill also clarifies governance and administrative roles by revising definitions, appointment procedures, and approval authorities. These changes may reduce ambiguity regarding which entity is responsible for appointing directors, approving budgets, levying assessments, and authorizing expenditures, particularly in cases where watershed districts span more than one soil and water conservation district. Clearer statutory roles may support more consistent administration across districts.

The bill could result in increased property tax assessments within affected watershed districts if assessments are requested more frequently or in circumstances where levies were not previously imposed. While the bill does not grant watershed districts independent taxing authority, it reduces the discretion of soil and water conservation districts to decline a levy once a watershed district has satisfied statutory requirements. As a result, soil and water conservation districts would be required to impose requested assessments, subject to existing statutory rate caps, budget approval processes, and, where applicable, voter approval requirements.

ADMINISTRATIVE IMPLICATIONS

County assessors may need to process additional special levy assessments and reflect those levies on property tax rolls in accordance with existing statutory timelines and Property Tax Code requirements. While the bill does not change assessment methodology, it may increase administrative workload in areas where watershed districts request levies more frequently.

At the state level, the Department of Finance and Administration and the Taxation and Revenue Department may need to provide guidance or technical assistance related to budgeting, levy certification, and assessment procedures, particularly during initial implementation. Any administrative impacts are expected to be absorbed within existing statutory frameworks and administrative processes.

OTHER SUBSTANTIVE ISSUES

The Department of Agriculture defines soil and water conservation districts (SWCDs) as independent subdivisions of state government, governed by boards of supervisors, local landowners, and residents who are either elected or appointed. SWCDs are authorized by the Soil and Water Conservation District Act (73-20-25 through 73-20-48 NMSA 1978) to perform a variety of functions. SWCDs conserve and develop the natural resources of the state, provide for flood control, preserve wildlife, and protect the tax base. This work promotes the health, safety, and general welfare of the people of New Mexico. SWCDs coordinate assistance from all available sources—public and private, local, state and federal—in an effort to develop locally driven solutions to natural resource concerns. Forty-seven SWCDs encompass the majority of New Mexico's land area.

Watershed districts are formed for the purpose of conservation of water or of water usage. This includes water-based recreation, flood prevention, flood control, erosion prevention and control of erosion, and floodwater and sediment damage. The land area in watershed districts must be contiguous and lie within a well-defined watershed area or sub watershed areas. They may embrace lands lying in one or more SWCDs and may embrace lands lying partly within and partly outside an SWCD. There are seven active watershed districts in New Mexico.

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