Executive Summary of TPL Feasibility Study for Dedicated Statewide Conservation Funding

The Trust for Public Land's conservation finance feasibility study presents a general survey of programs and public funding options that are currently being utilized and/or may be used by New Mexico for conservation. The Trust for Public Land's research focuses on broad-based financial mechanisms capable of generating significant funding at the state and local levels that are practical and proven. The contents of this report are based on the best available information at the time of research and drafting, with much of the data compiled from Internet resources and communication with partner organizations and government agencies.

This study presents several viable public options for funding land conservation in New Mexico and provides analysis of which options and funding levels are feasible, economically prudent, and likely to be publicly acceptable. Several potential finance mechanisms could be considered to increase state funding for land conservation in New Mexico. This report specifically examines the options listed below.

- **General Fund Appropriations:** The general fund is the primary state fund from which the ongoing expenses of state government are paid. The Legislature and Governor could consider a line item for land conservation in the General Appropriation Act. Alternatively, to provide initial seed monies for land conservation in New Mexico, a one-time general fund capital outlay could be considered. The state could also potentially use a portion of the American Rescue Plan Act State Fiscal Recovery Funds to create a conservation trust fund.

- **General Obligation Bonds:** New Mexico may issue general obligation bonds for the acquisition of open-space lands and purchase of conservation easements. Issuance of a general obligation bond could provide the state with a substantial and immediate amount of money for the preservation of working lands and wildlife habitat. For example, a $200 million GO bond would increase the state's annual debt service payments by $12.1 million and cost the median homeowner in New Mexico $9 per year in property taxes over the life of the bond (25 years).

- **Governmental Gross Receipts Tax:** New Mexico imposes a governmental gross receipts tax (GRT) of 5 percent on the receipts of New Mexico state and local governments. The state distributes the governmental GRT dollars to the Public Project Revolving Fund at the New Mexico Finance Authority (75 percent), the Energy, Minerals and Natural Resources Department (EMNRD) (24 percent), and the Department of Cultural Affairs (1 percent). New Mexico could consider a change in the distribution of governmental GRT revenues. Increasing EMNRD's portion of the revenues from this tax to 50 percent would more than double the amount of money for state parks improvements and perhaps acquisition, or for another program within the department.

- **Gross Receipts Tax:** In 2020, GRT revenue from sporting goods stores in New Mexico was about $14.5 million.[1] A portion of this revenue stream, for example, $11.6 million or 80 percent, could be dedicated to conservation, depending on how the state might define "sporting goods" for this purpose.

  Alternatively, New Mexico could increase the state GRT. For example, a 0.3 percent increase would generate more than $227 million annually for conservation at a cost of $34 to the typical

[1] New Mexico Department of Taxation and Revenue, Quarterly RP-80 Reports: Gross Receipts by Geographic Area and NAICS Code. Note that this revenue is only for filers that self-report as sporting goods stores and does not include tax on sporting goods sold at retailers such as Target or Amazon.com.

household in the state. An estimated 12 percent of the revenue would be generated by resident spending, with the remainder generated by visitors and business spending.

- **Income Tax Filing Surcharge:** New Mexico also could consider a surcharge on state income tax filings for land conservation purposes. For example, a $5 fee on filings would generate approximately $5.7 million annually.

- **Lodging Tax:** New Mexico does not currently impose a statewide lodging tax, however, lodging is subject to the gross receipts tax. The state could consider implementing a statewide lodging tax. For example, a statewide lodging tax of 3 percent could be expected to generate about $45 million per year.

- **Lottery Funds:** New Mexico could choose to dedicate a portion of lottery proceeds, for example, $10 million per year, to conservation. However, such a dedication would take away revenues currently allocated to education and potentially necessitate cuts to other areas of the state budget or create the need to generate additional funds from other sources.

- **Oil and Natural Gas Revenue:** New Mexico could choose to dedicate a portion of the existing oil and natural gas revenue, or interest earned on the revenue (from the permanent fund), to fund land conservation and/or support debt service on a bond. Alternatively, the state could increase one or more of the tax rates and dedicate the additional funding to land conservation. New Mexico could also consider increasing the distribution from the severance tax permanent fund and using the additional revenue for conservation.

- **Real Estate Transfer Tax:** In the 2021 legislative session, HB19 was introduced, which proposed a real estate transfer tax of 0.75 percent if the value of the property is from $500,000 to $750,000 and 1.25 percent for properties over $750,000. The bill's fiscal impact report estimated the tax would have generated $54.9 million in FY22, $57.1 million in FY23, $59.3 million in FY24, and $61.7 million in FY25. However, the bill died in committee. New Mexico could reconsider a real estate transfer tax and dedicate a portion of the revenues to conservation.

- **State Parks Annual Pass:** The state could consider adding annual state park passes to vehicle registration fees as an "opt-in" or "opt-out" optional fee. New Mexico could potentially generate $5.9 to $9.9 million per year by implementing an opt-out state parks pass annual fee for vehicle registrations at $20 per opt-out pass. If the opt-out pass fee was set at $30, estimated revenue increases to $8.9-$14.9 million, depending on how many people opt out.

With a stable, dedicated funding source for land conservation, the state could commit more funds to local programs and provide incentives to local governments such as requiring matching funds, making them strong partners in the state's efforts. Changes to existing programs and policies would also allow greater access to funding and authority to protect natural resources at the state and local levels. Dedicated state funding also provides ready matching funds for federal land conservation funding programs.

Next steps should include the development of a public opinion survey to test public support for program goals, conservation priorities, and the specific funding mechanisms and amounts.