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FISCAL IMPACT REPORT



SPONSOR: Aragon DATE TYPED: 02/08/02 HB _____

SHORT TITLE: Ad Valorem Levy for Water Projects SB SJR-22

ANALYST: Chabot

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
			\$30.0	Non-Recurring	General Fund
	\$14,527,670			Recurring	Special Water Project Fund-New Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	\$14,527,670	\$29,055,340	Recurring	County/Ad Valorem Tax
	(\$14,527,670)	(\$29,055,340)	Recurring	Special Water Project Fund-New Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 58, HB 323, SB 44, SB 252, SB 292, SJM-7, SJM-27, and SJR 15

SOURCES OF INFORMATION

LFC Files
 Attorney General
 Commission on Higher Education
 Department of Game and Fish (DFG)
 New Mexico Environment Department
 New Mexico Finance Authority (NMFA)
 Office of the State Engineer (OSE)
 Secretary of State
 State Land Office

No Response Received

Taxation and Revenue Department

SUMMARY

Synopsis of Bill

Senate Joint Resolution 20 proposes amending Article 8 of the New Mexico Constitution to levy an ad valorem tax of \$2.00 per \$1,000 assessed value on all real and personal property in the state subject to property taxation. The proceeds will be placed in a special fund for appropriation by the Legislature for projects that will protect, enhance and conserve the state's water resources. The tax would be effective January 1, 2003 if approved by the voters at the next general election. The Legislature, by a three-fourths majority in both houses may raise and lower the rate to any amount that does not exceed the \$2.00 maximum.

Significant Issues

New Mexico's water is a scarce resource and the economy depends on reasonable and fair allocation of water for all purposes. The public welfare depends on efficient use and conservation of water. Competing needs such as interstate compact delivery requirements, agricultural use, municipal use, industrial use and domestic and livestock wells put increasing demands on this limited resource. Since there is little opportunity to increase the amount of water in the state, methods must be funded that provide for more efficient uses.

According to NMFA and OSE, New Mexico relies too heavily on underground aquifers that are not being sufficiently recharged. A substantial portion of this underground water is also being depleted by neighboring states with no limits of ground water pumping. The development of long term surface water supplies is estimated at over \$1.5 billion. Over the next five years, short-term community water and wastewater needs are estimated at approximately \$2.1 billion. Short-term Native American water and wastewater needs are estimated at approximately \$219 million and equal about 19 percent of all the water project needs in the state. In addition, the new arsenic standards imposed by the federal Environmental Protection Agency could cost communities over \$375 million for new treatment facilities. Funding all these needs is not available with existing revenues without seriously impacting other needed programs throughout the state. These include public education, social welfare, medical services, corrections and highways. The proposed ad valorem tax would provide revenue to meet these water project needs.

The Secretary of State estimates that the election for a constitutional amendment would cost approximately \$30.0.

DGF states that lack of adequate funding may hamper the states ability to protect, enhance and conserve its water resources. The ad valorem tax is a way to meet the states long-term water project needs.

OSE asks whether the "special water project fund" is the same as the "Water Trust Fund" established by the 2001 Legislature but not funded. If so, the proceeds could be used to fund projects identified by the Water Trust Board.

FISCAL IMPLICATIONS

This joint resolution proposes an ad valorem tax that will generate \$14,527,670 the second half of fiscal year 2003 and increasing to \$29,055,340 in fiscal year 2005. Future revenues will be determined by assessed valuations by County Assessors but probably would not decrease. This will provide recurring revenue to the Special Water Project Fund. Revenue estimates are based upon the net taxable values for fiscal year 1999 as published in State of New Mexico Financial and Property Tax Data.

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

POSSIBLE QUESTIONS

1. Will the proceeds from this ad valorem tax be deposited into the Water Trust Fund ?

GAC/njw