

1 SENATE JOINT MEMORIAL 17

2 **50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012**

3 INTRODUCED BY

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10 A JOINT MEMORIAL

11 REQUESTING A STUDY OF THE IMPACT OF INTERCEPTING SEVERANCE TAX
12 REVENUE TO THE DEGREE THAT ONLY A NEGLIGIBLE PERCENT OF REVENUE
13 IS DEPOSITED INTO THE SEVERANCE TAX PERMANENT FUND AND
14 REQUESTING RECOMMENDATIONS FOR OPTIONS TO REDUCE SEVERANCE TAX
15 REVENUE INTERCEPTS.

16
17 WHEREAS, the severance tax permanent fund is a permanent
18 endowment fund that was intended to create and sustain a
19 substantial, perpetual source of wealth and income for future
20 generations of New Mexicans to replace oil and gas revenues
21 when wells run dry and to serve the current population through
22 disbursements of a portion of the fund's annual investment
23 income to the state's general fund; and

24 WHEREAS, from 1976 to 1999, severance tax revenue was
25 allocated equally between bond payments and deposits in the

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1 severance tax permanent fund, so that fifty percent of
2 severance tax revenue was deposited annually into the severance
3 tax permanent fund; and

4 WHEREAS, beginning in 1999, the legislature reduced the
5 revenues for the severance tax permanent fund to thirty-seven
6 and one-half percent of severance tax revenue and increased the
7 percentage of severance tax revenue allocated to service bond
8 debt to sixty-two and one-half percent; and

9 WHEREAS, in 2000, the percentage of severance tax revenue
10 flowing to the permanent fund was further reduced to twelve and
11 one-half percent, with eighty-seven and one-half percent of
12 severance taxes authorized to service bonds; and

13 WHEREAS, in 2004, fully ninety-five percent of severance
14 tax revenue was authorized by law to service bond debt; and

15 WHEREAS, provisions in capital outlay bills currently
16 provide for the bonding of any remaining amounts of severance
17 tax revenue, effectively reducing deposits to the severance tax
18 permanent fund to almost zero; and

19 WHEREAS, as a result, just three hundred ninety-one
20 million nine hundred thousand dollars (\$391,900,000) of three
21 billion six hundred million dollars (\$3,600,000,000) collected
22 from 2002 through 2011 has found its way into the severance tax
23 permanent fund; and

24 WHEREAS, in 2010, only three million four hundred thousand
25 dollars (\$3,400,000), about one percent of the three hundred

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1 twenty-seven million six hundred thousand dollars
2 (\$327,600,000) collected that year, made it to the severance
3 tax permanent fund; and in 2011, only six million five hundred
4 thousand dollars (\$6,500,000) of two hundred ninety-nine
5 million five hundred thousand dollars (\$299,500,000) received
6 was deposited to the fund;

7 NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE
8 STATE OF NEW MEXICO that the state investment council and the
9 state board of finance be requested to study the long-term
10 impact on the severance tax permanent fund of intercepting the
11 majority of all severance tax revenue for debt service, to
12 study whether severance tax revenue used to service bond debt
13 for public school facilities construction and renovation
14 remains necessary at the current levels and to propose options
15 for reducing the severance tax revenue intercepts; and

16 BE IT FURTHER RESOLVED that the results of this effort be
17 submitted to the governor and the appropriate interim
18 legislative committees no later than November 1, 2012; and

19 BE IT FURTHER RESOLVED that copies of this memorial be
20 transmitted to the governor, the secretary of finance and
21 administration, the chair of the state investment council and
22 the state investment officer.