

LFC Requester:	
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**AGENCY BILL ANALYSIS
2018 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment**
Correction **Substitute**

Date Jan. 15, 2018
Bill No: HJR3

Sponsor: Daymon Ely
Short Title: Severance Tax Fund for Public Safety, CA

Agency Code: 264
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
0	0	n/a	n/a

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
0	0	0	n/a	n/a

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	0	0	0	0	n/a	n/a

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: HJR2; SJR2
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

HJR3 is a joint resolution proposing to amend Article 8, Section 10 of the New Mexico constitution to require an additional distribution from the severance tax permanent fund to the general fund for criminal justice and public safety purposes specifically provided by law. The legislature may use the distribution to fund:

- 1) Education programs;
- 2) Law enforcement, district attorneys' and public defenders' offices;
- 3) Courts;
- 4) Corrections facilities and programs;
- 5) Pretrial and post-trial services for accused and convicted criminal offenders; and
- 6) Behavioral health and substance abuse programs.

The additional distribution occurs only if the average of the year-end market values of the fund for the immediately preceding five calendar years is at least five billion dollars. The amount of the additional distribution is one-half percent of the average of the year-end market values of the fund for the immediately preceding five calendar years.

FISCAL IMPLICATIONS

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

HJR3 itself has no direct fiscal impact on the district attorneys, although if it passes the legislature may provide funding for the district attorneys through use of the severance tax permanent fund.

For such funding to occur, HJR3 must pass, the constitutional amendment it proposes must pass at the next election, and if at that time the average of the year-end market values of the severance tax permanent fund for the immediately preceding five calendar years is at least five billion dollars, and if the legislature provides by law to use the funds to pay for the criminal justice and public safety purposes listed in HJR3 and chooses to include funding for the district attorneys, funds from the severance tax permanent fund will reach the district attorneys.

SIGNIFICANT ISSUES

The severance tax permanent fund is one of New Mexico's so-called "rainy day funds." The fund holds state revenue derived from taxes imposed on the severance of oil, gas and other natural resources, and the income on investments of that revenue. The underlying idea is that the revenues from such sources are volatile, and the resources themselves are finite, so saving and investing income from those sources will create a more reliable fund that will allow future generations to share in the benefits from extracting finite natural resources. Since 1982 a constitutional amendment removed the option of appropriating money from the corpus of the fund. The constitution currently provides for an annual distribution of 4.7% percent of the average of the year-end market values of the fund for the immediately preceding five calendar years. Typically, that amounts to about \$200 million per year. The current distribution goes to the general fund and is used for public education. HJR3 proposes a new constitutional amendment that would allow an additional distribution of .5% to the general fund, to be used for criminal justice and public safety purposes.

PERFORMANCE IMPLICATIONS

HJR3 itself has no performance implications for the district attorneys. If the amendment is adopted, however, it will provide an additional potential funding source for criminal justice and public safety purposes, including the funding of district attorney's offices: distributions from the severance tax permanent fund.

ADMINISTRATIVE IMPLICATIONS

HJR3 itself has no administrative implications for the district attorney's offices.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HJR2 proposes to amend Article 12, Section 7 of the constitution to provide for an additional distribution of .5% of the land grant permanent funds (another "rainy day fund") for criminal justice and public safety purposes.

SJR2 also proposes to amend Article 12 Section 7 of the constitution to provide for an additional distribution of 1.5% from the land grant permanent funds to pay for early childhood education services.

TECHNICAL ISSUES

Article 8, Section 10 currently provides that the frequency and the time of distributions made pursuant to Subsection C (the section allowing the current distribution) shall be as provided by law. The new distribution that would be allowed under the amendment proposed by HJR3 is not covered by that provision. Presumably, because the amendment requires the legislature to specifically provide by law to use the distribution to fund some or all of the listed purposes, that law will provide for the frequency and time of distribution.

OTHER SUBSTANTIVE ISSUES

None noted.

ALTERNATIVES

None proposed.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

A constitutional amendment allowing distributions from the severance tax permanent fund to criminal justice and public safety programs will not be on the ballot.

AMENDMENTS

None proposed.