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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/2020

SPONSOR Montoya LAST UPDATED _____ HJR 5

SHORT TITLE Limit Expenditures & Tax Increases, CA SB _____

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23	FY24		
No current revenue impact						

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	125.0 -150.0		125.0 -150.0	Nonrecurring	General Fund

Parenthesis () indicate expenditure decreases

Relates to HB91 and HB173

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)

General response from the Secretary of State's Office (SOS)

SUMMARY

Synopsis of Bill

House Joint Resolution 5 proposes to amend Articles IV and VIII of the New Mexico Constitution in order to limit state expenditures and tax increases. In particular, it proposes to create a new Section 43 in Article IV to limit state expenditures from the general fund. This new Section 43 would generally limit expenditures, starting in fiscal year 2022, to the "total expenditures from the general fund made in the immediately prior fiscal year" plus the products of multiplying the prior fiscal year's expenditures by the state's population increase in the prior calendar year and, separately, 3.6 percent. The state could exceed this expenditure limit only through "a three-fifths' majority vote of both houses of the legislature." This proposed Section

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43 would also account for the distribution of any “unexpended or unencumbered” funds: fifty (50) percent “to United States citizens who are residents of the state, as determined by law, including allowance for dependents” and the remaining fifty (50) percent to “support public schools.”

The Resolution also proposes to amend Section 17 of Article IV, which addresses the passage of bills in the legislature. The Resolution would make the current language in Section 17 into a new subsection A and add a new subsection B which would require any bill proposing a new or increased tax to be approved by a three-fifth’s majority vote of each chamber of the Legislature. This requirement would become effective January 1, 2021.

Finally, the Resolution also proposes to create a new section in Article VIII that would provide a new three-year expiration date for any law imposing a new or increased tax.

The Resolution proposes to submit its constitutional amendments to the public for a referendum at the next general election or at an earlier special election.

FISCAL IMPLICATIONS

Under Section 1-16-4 NMSA 1978, SOS is required to print the full text of each proposed constitutional amendment, in both Spanish and English, in an amount equal to ten percent of the registered voters in the state. SOS is also constitutionally required to publish the full text of each proposed constitutional amendment once a week for four weeks preceding the election in newspapers in every county in the state. The estimated cost per constitutional amendment is \$125 thousand - \$150 thousand, depending upon the number and length of the constitutional amendments, number of registered voters, and whether additional ballot printing systems are needed.

There is no immediate revenue impact to this joint resolution. The resolution will be presented to the voters in November, 2021. If passed, the 2022 legislature would be bound by the proposal in crafting a budget for FY23.

The following table illustrates the proposal.

	Actual/CREG Revenue Estimate	Annual Growth	General Fund Op Bud	Annual Growth	Population Increase	Allowed Expenditure Growth	3.6% Growth Factor	Allowed Expenditure Growth
FY13	\$5,708.0	0.0%	\$5,650.2	2.6%				
FY14	\$6,040.1	5.8%	\$5,893.6	4.3%				
FY15	\$6,194.7	2.6%	\$6,151.1	4.4%				
FY16	\$5,711.0	-7.8%	\$6,235.3	1.4%				
FY17	\$5,885.9	3.1%	\$6,069.8	-2.7%				
FY18	\$6,816.5	15.8%	\$6,073.3	0.1%				
FY19	\$8,009.5	17.5%	\$6,329.7	4.2%				
FY20	\$7,776.4	-2.9%	\$6,977.1	10.2%				
FY21	\$7,873.1	1.2%	\$7,680.0	10.1%				
FY22	\$8,005.4	1.7%	\$8,005.6	4.2%	0.64%	\$49.15	3.60%	\$276.48
FY23	\$8,287.1	3.5%	\$8,345.1	4.2%	0.64%	\$51.24	3.60%	\$288.20

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FY24	\$8,582.2	3.6%	\$8,698.9	4.2%	0.64%	\$53.41	3.60%	\$300.42
Term growth rate FY13 to FY24		3.8%		4.0%				

Note that the proposal would limit expenditures to slightly more (4.2 percent) than the term rate of growth from FY 13 through FY24 (4.0 percent)

The illustration uses the average growth rate from 2010 to 2020. New Mexico’s 2020 population is estimated to be 2,096,640, up slightly from the 2010 figures of 2.05 million. [New Mexico](#) currently has a growth rate of 0.64 percent annually, which ranks 30th in the country.¹

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 91, which generally proposes to limit increases in the valuation of residential property for property tax purposes.

Relates to House Bill 173, which addresses gasoline and fuel taxes and proposes a new “gasoline and special fuel excise surtax low-income rebate” for New Mexico resident taxpayers.

LG/al/rl

¹ <http://worldpopulationreview.com/states/new-mexico-population/>