

Nuclear Weapons: Big Business Not Paying Its Share!

An Overview of Comparative Budgets in New Mexico

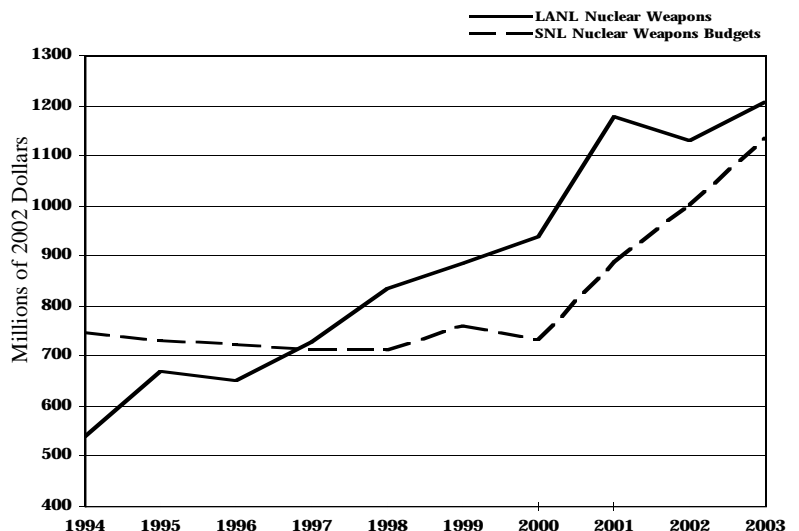


Nuclear weapons research and production in New Mexico is big, big business. Our two nuclear weapons laboratories, Los Alamos National Laboratory (LANL) and Sandia National Laboratories (SNL) have spent \$16.89 billion (2002 dollars) since 1994 on nuclear weapons research and development (R&D) and production. On average, the labs have spent a combined \$844.6 million each year, but current annual spending levels have reached staggering heights that far out-match the biggest programs in our own State government.

- **LANL:** Nuclear weapons work at the lab since 1994 has cost taxpayers (in 2002 dollars) \$8.75 billion.^{1,2} This year alone, LANL is expected to receive more than \$1.2 billion for nuclear weapons R&D and production, nearly 80% of its entire Department of Energy (DOE) funding. LANL's nuclear weapons budget has consumed 13% of the national DOE nuclear weapons R&D and production budget since 1994.³

- **SNL:** By the end of Fiscal Year (FY) 2003, SNL will have spent \$8.14 billion in 2002 dollars for its nuclear weapons R&D and production program since 1994.⁴ SNL will likely receive \$1.13 billion this year, and has spent 12% of the national DOE nuclear weapons R&D and production budget since 1994.

LANL and SNL Nuclear Weapons Programs

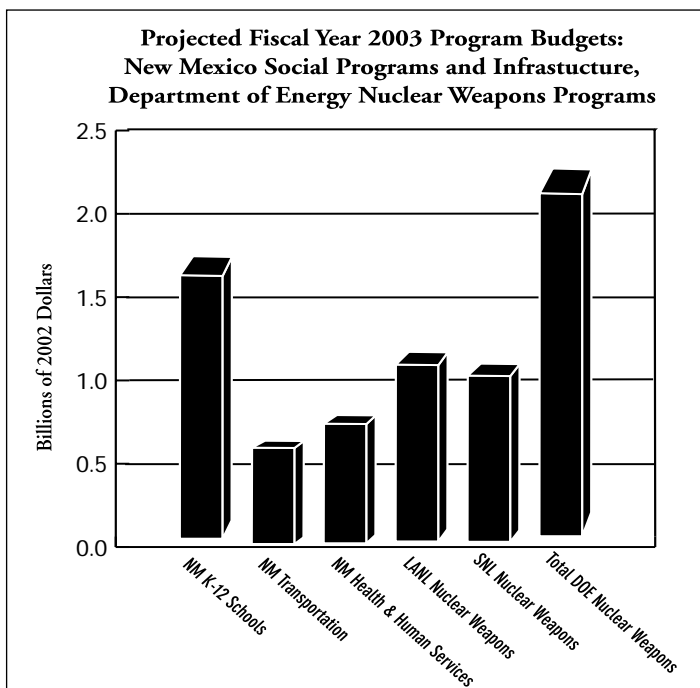


Together, for FY03 LANL and SNL will account for 49% of DOE's national nuclear weapons budget.

Vital social services in New Mexico, such as education, health care programs and transportation, make an intriguing contrast with the federal dollars being pumped into our state for nuclear weapons work. The FY03 budget for the New Mexican State government will be approximately \$4.0 billion in expenses. As the State is required to have a balanced budget, State revenues must not be less than expenses. Gross receipts taxes (GRT) make up a substantial portion of the State's annual revenue. GRT are the taxes levied on the buyer when purchasing goods such as food or services from companies and the self-employed. This year alone, GRTs are expected to make up 33% of New Mexico's revenue, or \$1.33 billion.⁵ GRT goes directly into the State's general operating fund, from where it is then disbursed by the Legislature to various State programs. The major State programs are:

- **K through 12 public education:** In FY 03, New Mexico's public schools will receive some \$1.8 billion. This amounts to 45% of New Mexico's total expenses for the year. If GRT were to solely pay for public education programs, it would provide 74% percent of the funding available for the State's K through 12 schools.⁶

- **Transportation:** The State's Highway and Transportation Department will receive \$657.8 million in Fiscal Year '03, or 19.7% of New Mexico's total budget.⁷



• **Health and Human Services:** Programs under this category, which include the Human Services Department, Department of Health, Children, Youth & Families, among others, will see a funding level near \$816.8 million in '03. This is approximately 25.7% of the projected State budget of \$4.0 billion.⁸

Problems with the Gross Receipts Tax

Gross Receipts Taxes are in many ways very regressive taxes. During the Spring 2002 Legislative session, some lawmakers were considering exempting food purchases from GRT (which acts as a "food sales tax"). In Santa Fe, everytime a family buys \$100 in groceries it pays \$6.40 in GRT, which can seriously impact low income families. During a fiscal crunch at the State level, such as is happening now, the elimination of the food tax would have drastic effects on New Mexico's budget. Legislators estimated that the food tax provides nearly \$90 million in annual revenue. Additionally, GRT can have a negative impact on the small business owner and the self-employed by driving their prices up. Despite all this, as one of the State's largest contributors to its coffers, GRT helps pay for some of the most important programs (such as education). Providing exemptions to certain goods and services, such as food, will force State lawmakers and public interest advocates to look elsewhere for supplemental funding to replace that lost by such exemptions.

The Role of the National Laboratories in the GRT Question

Neither the citizen nor the policy maker, whether on the state or the federal level, needs to look very far to find a sound solution to the problem posed by the desirable elimination of the food tax. In the 1970s, New Mexico filed suit against the company that then operated SNL. The suit alleged that Western Electric, a subsidiary of AT&T, was not a government entity and therefore was required by State law to pay GRT. The U.S. Supreme Court agreed with the state, and ordered the DOE to pay \$275 million in back taxes, the first time SNL had ever paid GRT taxes to New Mexico since its opening in 1949.⁹ Sandia Corporation, a subsidiary of Lockheed Martin (which is the current contractor operating SNL) paid \$48.18 million in GRT to New Mexico dur-

ing the 2001 tax year. According to Sandia Corporation, it is the largest single payer of GRT in the State and represented "four percent of the state's 'non-gaming' gross receipts taxes" in 2001.¹⁰

LANL does not pay GRT because its manager, the University of California (UC), is a so-called tax exempt "educational non-profit organization."¹¹ However, only a negligible portion of LANL's budget is for educational purposes. LANL's mission is to help preserve nuclear weapons forever for the DOE, along with its sister laboratories SNL and Lawrence Livermore National Laboratory. Tax-wise, LANL is not substantially different than SNL and should be treated in a similar manner come tax day. Nuclear Watch of New Mexico estimates that if LANL were forced to pay GRT, the State would receive some \$60 million a year from lab operations. This would offset by 66% the loss of revenue that would result from eliminating the food tax. Though many hurdles would have to be overcome in order to tax LANL, several potential avenues to success are available, including an organized effort between State legislators and the New Mexico Congressional delegation that would allow the State to tax UC operations at LANL. Furthermore, such a tax would not necessarily have to come out of UC's pocket. In fact, according to New Mexico tax law, UC could receive compensation from DOE for what it would pay in GRT.

Conclusion

Nuclear weapons budgets at LANL and SNL continue to grow in contrast to the budget constraints imposed on other federal and state programs (combined, the two national laboratories' budgets are nearly 75% of the total New Mexico budget). The State is forced to make hard decisions that may severely impact low income and minority families in order to meet its own constitutional requirement for a balanced budget. This is a travesty. Nuclear Watch of New Mexico believes that urgent action needs to be taken on this issue. LANL should pay GRT just like nearly all New Mexicans do!

What To Do: Call or write your State legislators and your New Mexican Congressional delegation to tell them that a) you want the "food tax" rescinded and b) that LANL should pay its fair share in gross receipts taxes to the State of New Mexico.

¹ Dollar amounts have been adjusted to 2002 dollars in accordance with the Consumer Price Index as calculated by the U.S. Federal Reserve.

² Budget amounts are determined from DOE Congressional Budget Requests, LANL Institutional Plans, and Integrated Priority Lists.

³ Ibid.

⁴ DOE Congressional Budget Requests, SNL Institutional Plans. During this same time frame, LANL received \$8.75 billion in 2003 dollars.

⁵ "2002 Post-Session Fiscal Review," New Mexico Legislative Finance Committee, June 2002, p. 27.

⁶ Ibid., p. 16.

⁷ Ibid.

⁸ Ibid., p. 32.

⁹ *Sandia Lab News*, Vol. 53, No. 7, April 5, 2002.

¹⁰ Ibid.

¹¹ Companies that contract with UC for work at LANL, such as Johnson Controls, do pay GRT.

Questions, comments, and corrections are always welcome. Please contact Colin King, Nuclear Watch of New Mexico, 551 W. Cordova Rd., #808, Santa Fe, NM 87505, or 505.989.7342, or colinking@nukewatch.org. Visit us on the web at www.nukewatch.org.