



New Mexico State Land Office
Legislative Education Study Committee

May 15, 2024

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Deputy Commissioner of Operations

Agenda

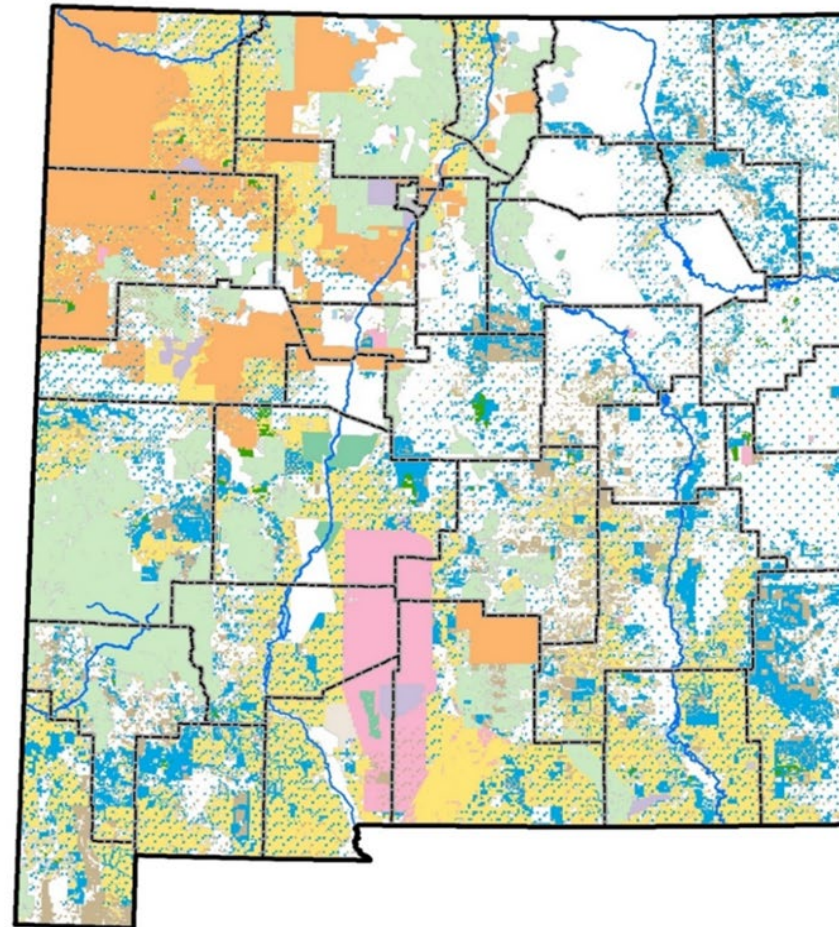
- State Land Trust Overview
- Trust Beneficiaries / Land Allocations
- Earnings and Distributions
 - Land Grant Permanent Fund
 - Land Maintenance Fund
- 10-Year Revenue Trend
(Common Schools, NMSBVI, NMSD)
- Key Takeaways
- Questions?

State Land Trust Overview

- New Mexico was granted trust lands by the federal government for the specific purpose of using these working lands to support public institutions (Ferguson Act of 1898; Enabling Act of 1910)
- The Commissioner of Public Lands is the statewide elected executive officer of the State Land Office and is charged with the management, care, custody, control and disposition of trust lands (N.M. Const., Art. 13, § 2; NMSA 1978, § 19-1-1)
- The Commissioner has a fiduciary duty to manage state trust lands in a manner that generates revenue while protecting trust assets (e.g., land); ensure they remain productive and healthy for current and future generations
- Earnings benefit schools, universities, hospitals and other important public institutions – which reduces the burden on taxpayers by billions of dollars each year
- Land (NMSLO) and associated investment holdings (SIC LGPF) are part of the same trust, serve exactly the same beneficiaries
- Federal and state legal mandates govern the grant of trust lands as a condition of statehood (*Lassen v. Arizona ex rel. Arizona Highway Dept.*, 385 U.S. 458 (1967); *State ex rel. King v. Lyons*, 2011-NMSC-004, 149 N.M. 330; *State ex rel. State Highway Commission v. Walker*, 1956-NMSC-080, 61 N.M. 374; *State ex rel. Otto v. Field*, 1925-NMSC-019, 31 N.M. 120
 - Must be compensated for the “true value” of the use of trust lands
 - Trust obligations run to the beneficiaries, not the “state” in general (designated beneficiaries derive the full benefit of the land grant)
 - The federal Enabling Act is part of the state’s fundamental law to the same extent as if it had been directly incorporated into the state constitution
 - Trust provisions enforceable by the U.S. attorney

New Mexico Land Ownership

- The State Land Office manages and holds in trust about 9 million acres of surface estate (~12% of all land in NM) and 13 million acres of mineral estate (~17%)
- State trust lands are located in every county in the state
- Working lands generated a record \$2.75 BILLION in FY23 from a wide variety of leasing activities, including energy, commercial development and agriculture



State Trust Lands

- Subsurface Estate
- Surface Estate
- Both Estates

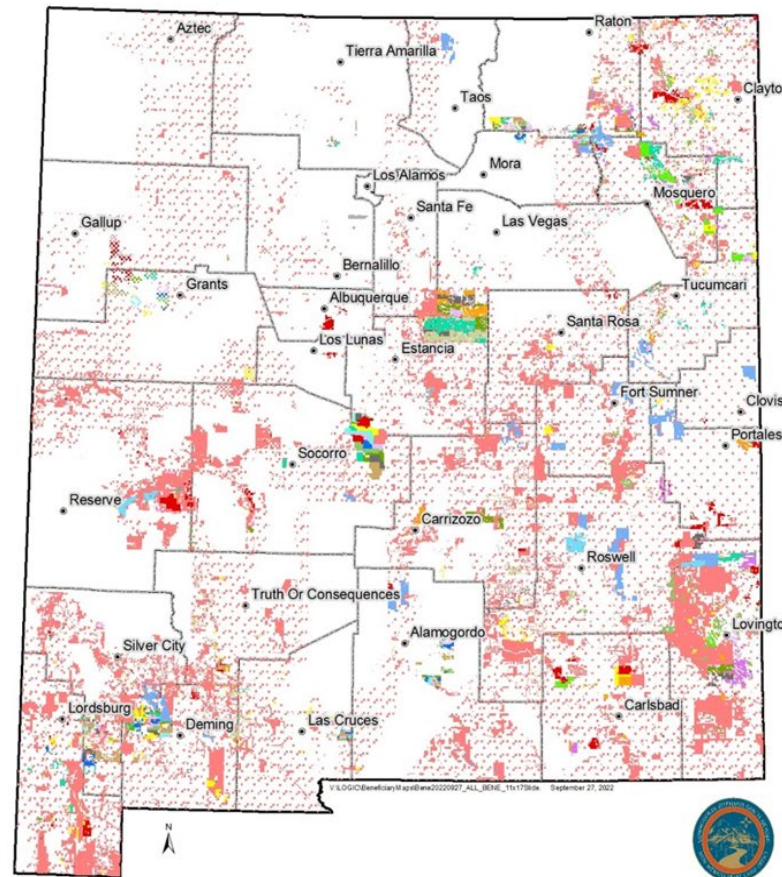
Other Surface Ownership

- Bureau of Indian Affairs/Tribes
- Bureau of Land Management
- Bureau of Reclamation
- Department of Agriculture
- Department of Defense
- Private
- DOE
- USDA Forest Service
- Fish and Wildlife Service
- National Park Service
- Valles Caldera National Preserve
- State Parks



Lands Assigned to Each Beneficiary

Beneficiary	Surface Acreage	Mineral Acreage
Common Schools	6,803,453	9,767,525
University of New Mexico	253,140	344,864
Saline Lands	1,044	1,502
New Mexico State University	194,571	254,200
Western New Mexico University	77,500	118,642
New Mexico Highlands University	77,500	118,642
Northern New Mexico College	31,918	56,563
Eastern New Mexico University	82,802	104,039
New Mexico Tech	162,588	219,019
New Mexico Military Institute	135,578	160,011
New Mexico Boys School	50,814	62,331
Miners Colfax Medical Center	98,557	120,766
Behavioral Health Institute	101,242	164,024
State Penitentiary	113,509	159,695
School for the Deaf	87,079	107,022
School for the Blind	100,827	118,830
Charitable Penal & Reformatory	74,551	99,620
Water Reservoirs	341,626	470,417
Rio Grande Improvement	54,221	89,202
Public Buildings	88,846	132,112
Carrie Tingley Hospital	18,799	13,692
TOTAL	8,950,165	12,682,718



New Mexico Land Trust Beneficiaries

- Common Schools
- Charitable, Penal and Reform
- Carrie Tingley Hospital
- Eastern New Mexico University
- Improvements to the Rio Grande
- New Mexico Miners Hospital
- New Mexico Military Institute
- New Mexico Boys School
- Northern New Mexico College
- New Mexico Highlands University
- New Mexico Institute of Mining Technology
- New Mexico Penitentiary
- New Mexico State Hospital
- New Mexico State University
- New Mexico School for the Deaf
- New Mexico Schools for the Deaf/Visually Impaired
- New Mexico School for the Visually Impaired
- Public Buildings
- University of New Mexico
- Water Reservoirs
- Western New Mexico University
- Western New Mexico University/New Mexico Highlands University

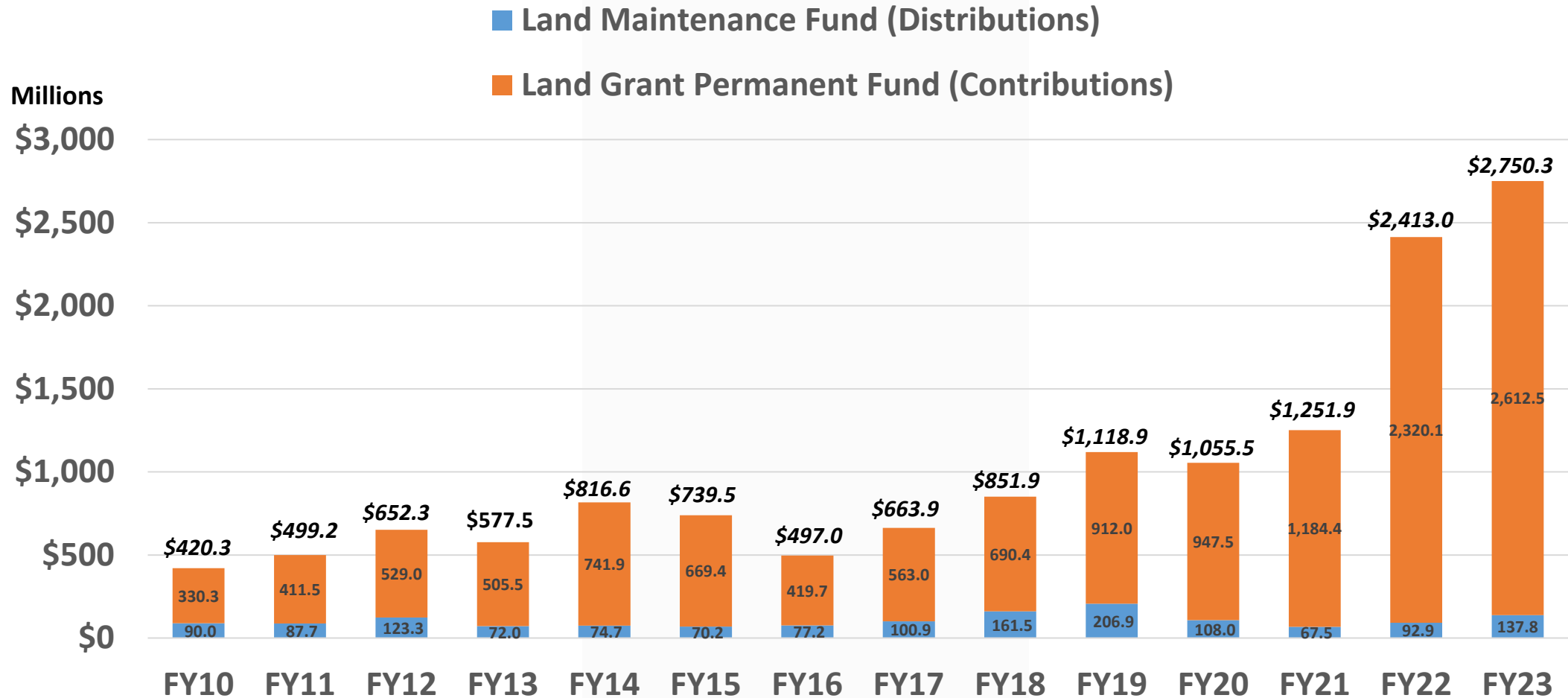
Beneficiary Land/Earning Allocations

- Public Land Survey System: Townships (36 square miles) are divided into sections (1 square mile/640 acres)
- Each beneficiary is assigned specific sections of land (e.g., 2, 16, 32, 36) and the money derived from those sections goes to each corresponding beneficiary
- There are a total of 21 state land trust beneficiaries, primarily schools, universities and hospitals
- Revenue that involves a permanent depletion of a resource (oil and gas royalties, land sales, etc.) is transferred to the State Investment Council (**Land Grant Permanent Fund**), where it is invested prior to distribution to the beneficiaries
- Revenue from “renewable” resources (renewable energy, agriculture, rights-of-way, business leases, etc.) is distributed on a monthly basis to the beneficiaries via the **Land Maintenance Fund**
 - State Land Office expenses paid prior to distribution
 - 1% withholding for Restoration and Remediation Fund

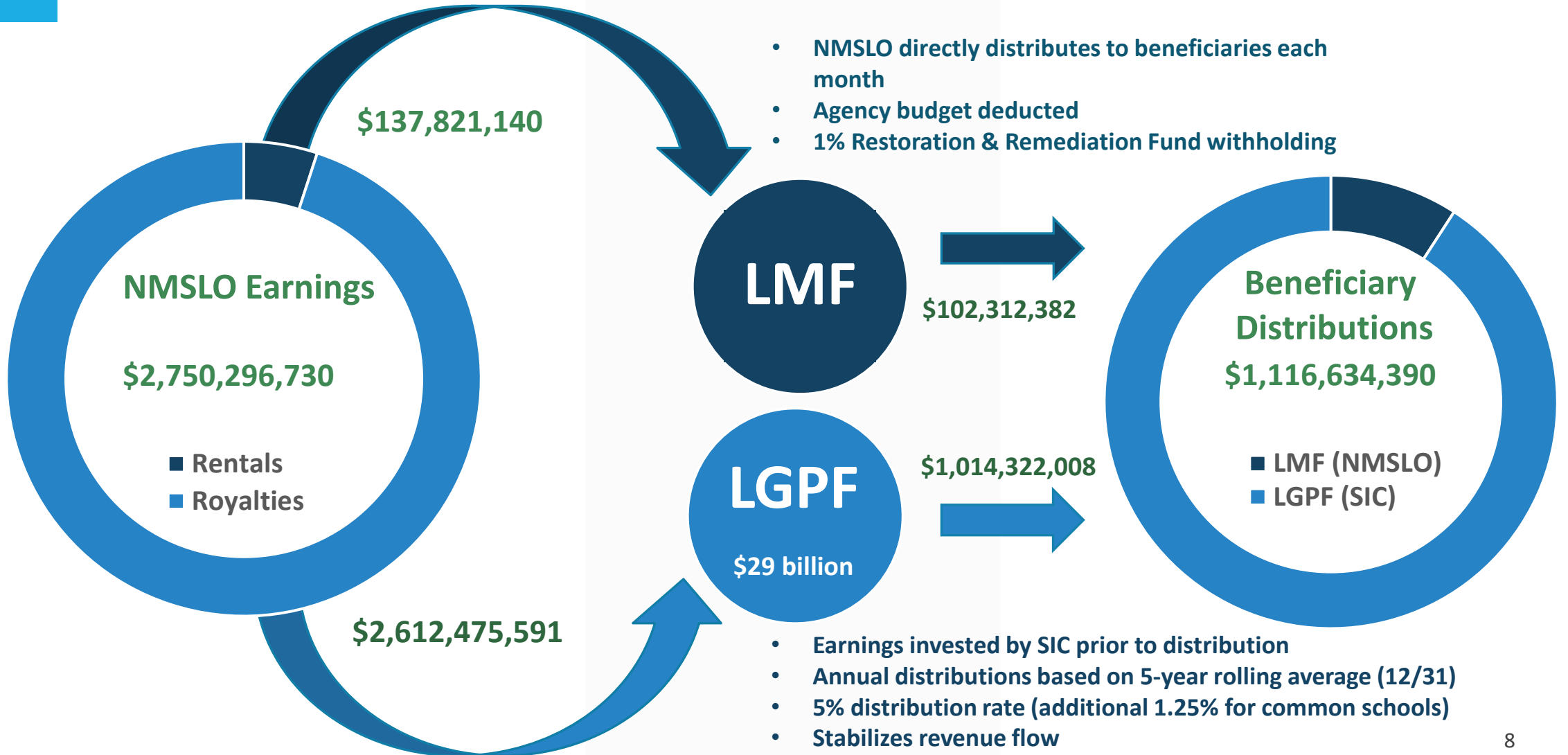
6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Township = 36 Sections/ Section = 1 square mile

State Land Office Annual Earnings by Fund



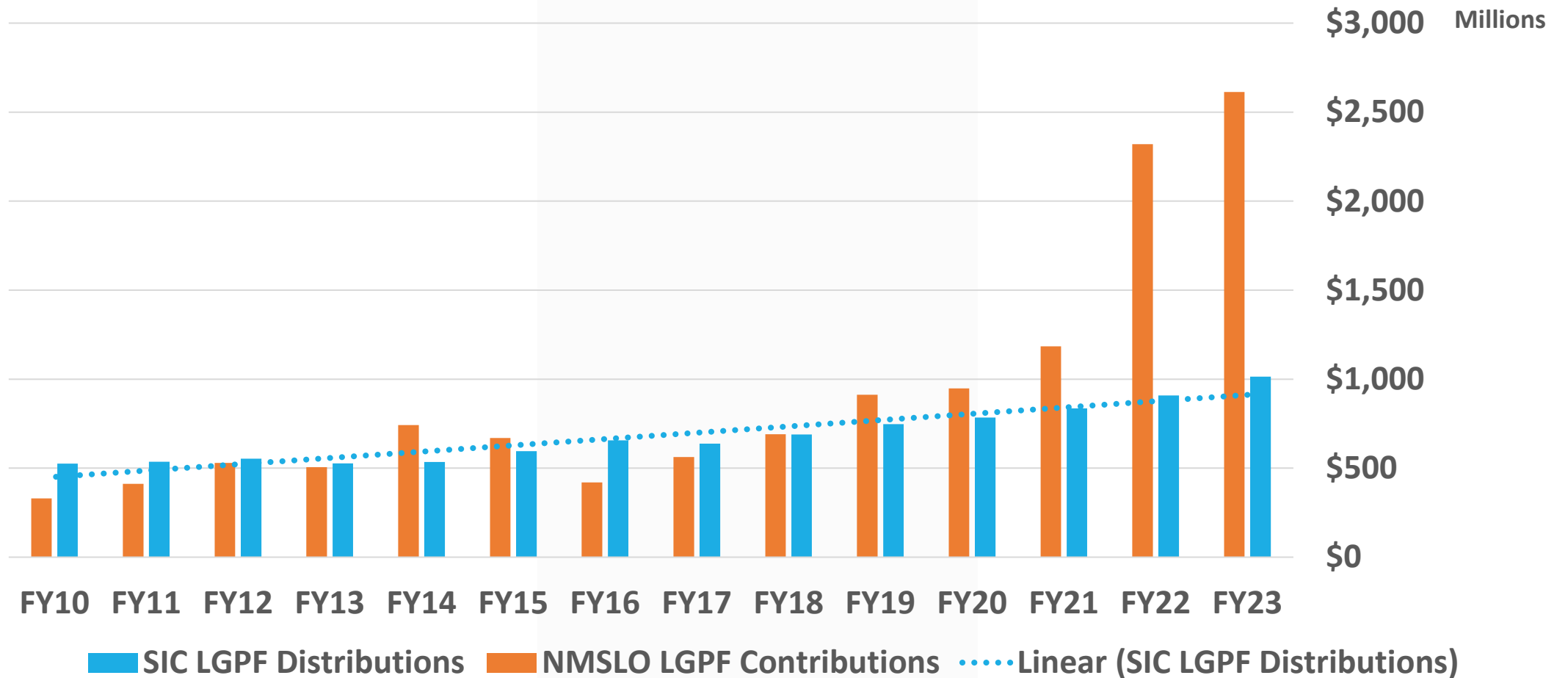
NMSLO Earnings and Distributions



- NMSLO directly distributes to beneficiaries each month
- Agency budget deducted
- 1% Restoration & Remediation Fund withholding

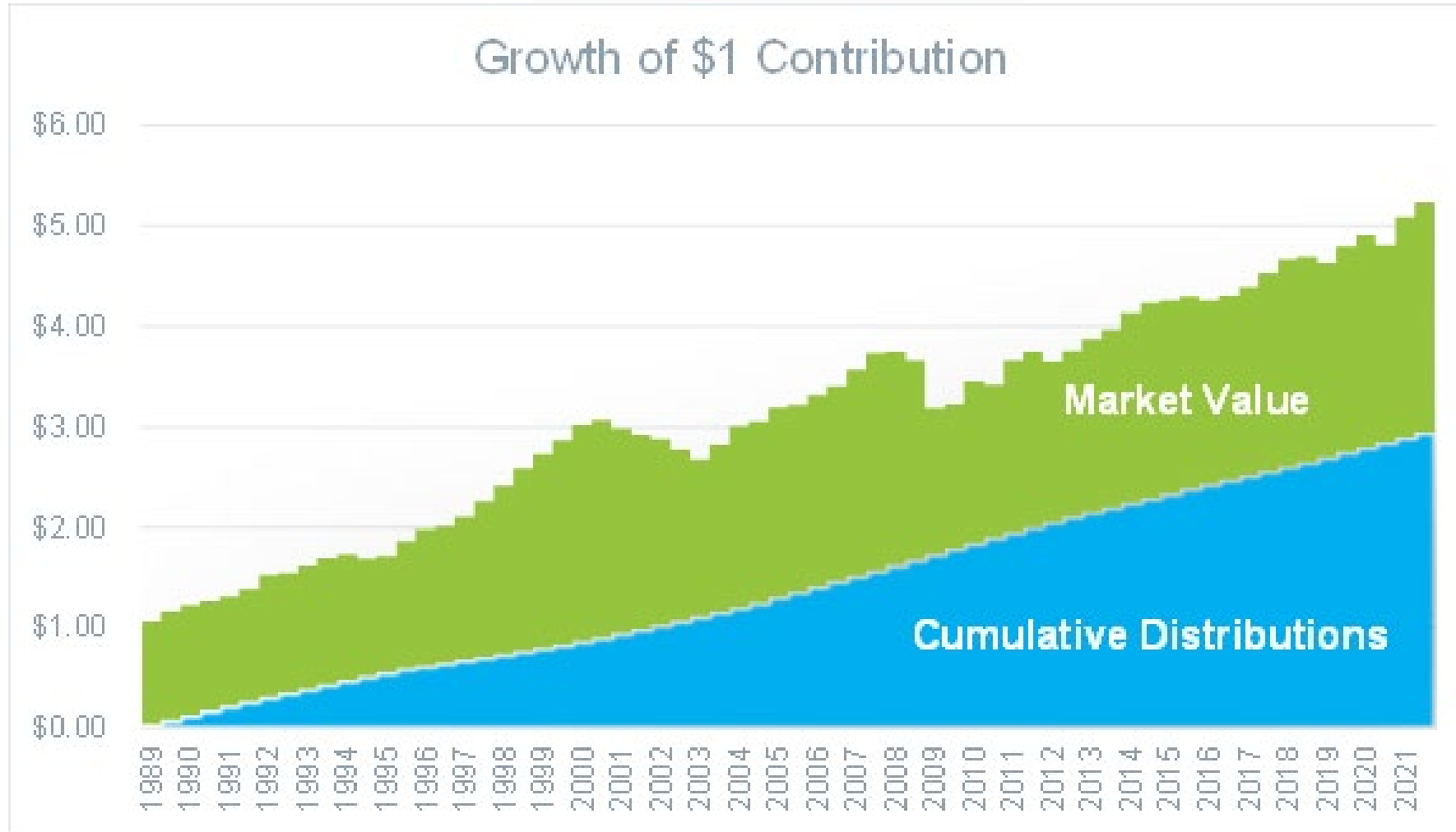
- Earnings invested by SIC prior to distribution
- Annual distributions based on 5-year rolling average (12/31)
- 5% distribution rate (additional 1.25% for common schools)
- Stabilizes revenue flow

LGPF Distribution Stabilization



LGPF Leverages \$ Prior to Distribution

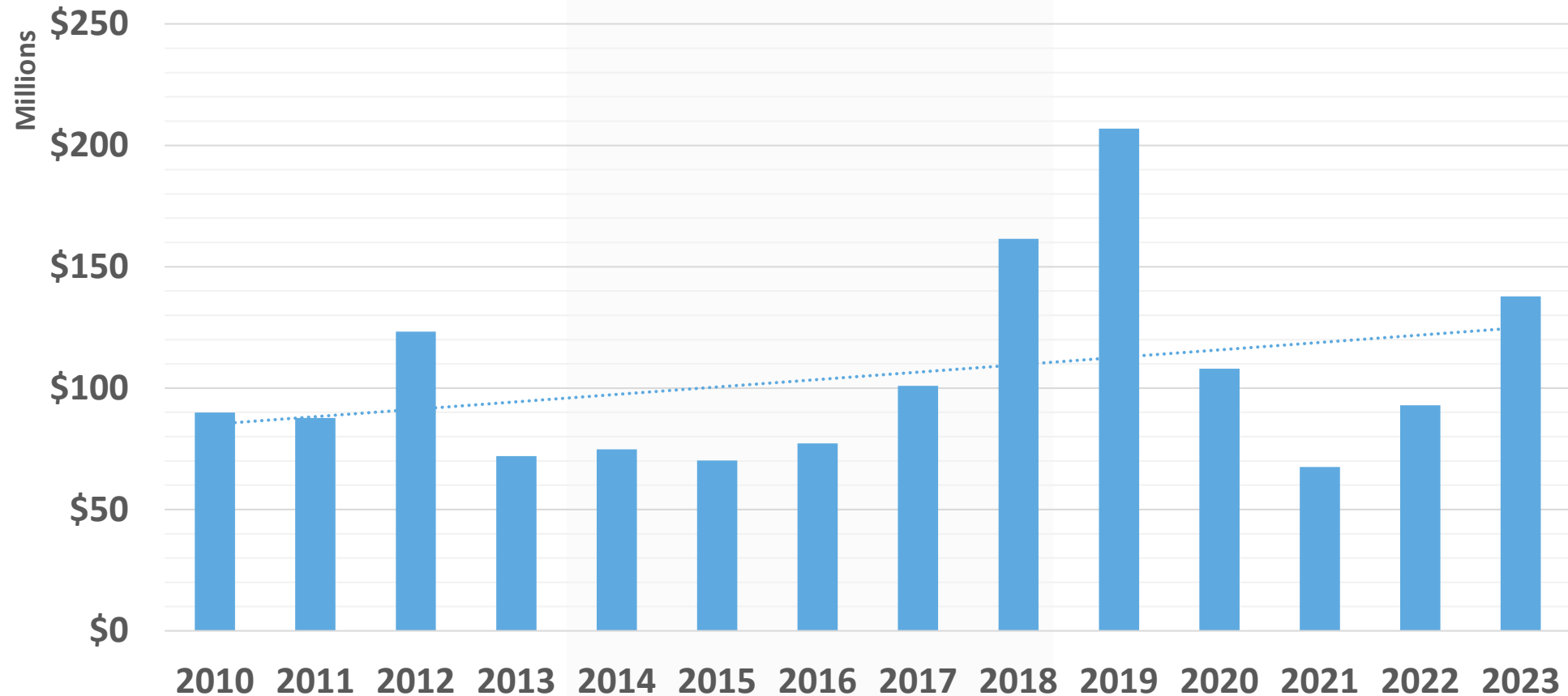
\$1 from NMSLO into LGPF + 30 years = \$5 Return on Investment



Source: SIC

Land Maintenance Earnings

\$1 Earned , \$1 in Value – No Growth Potential Prior to Distribution



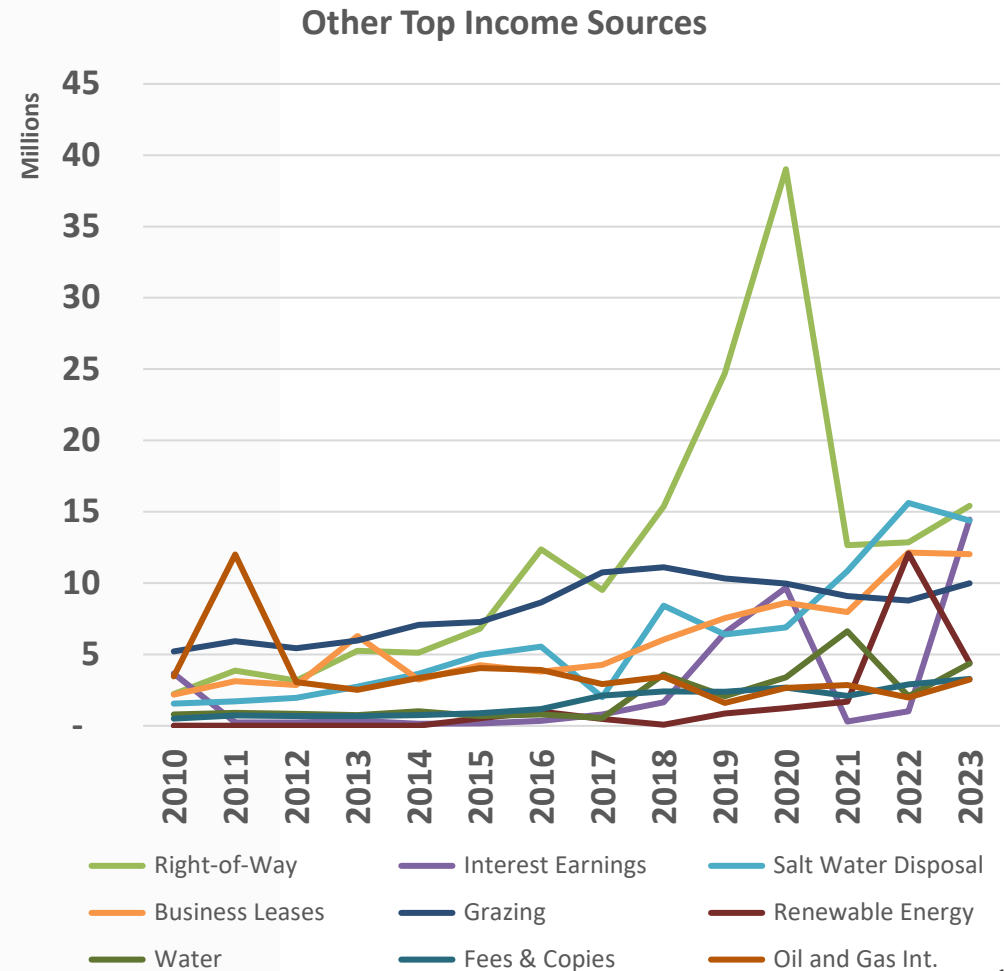
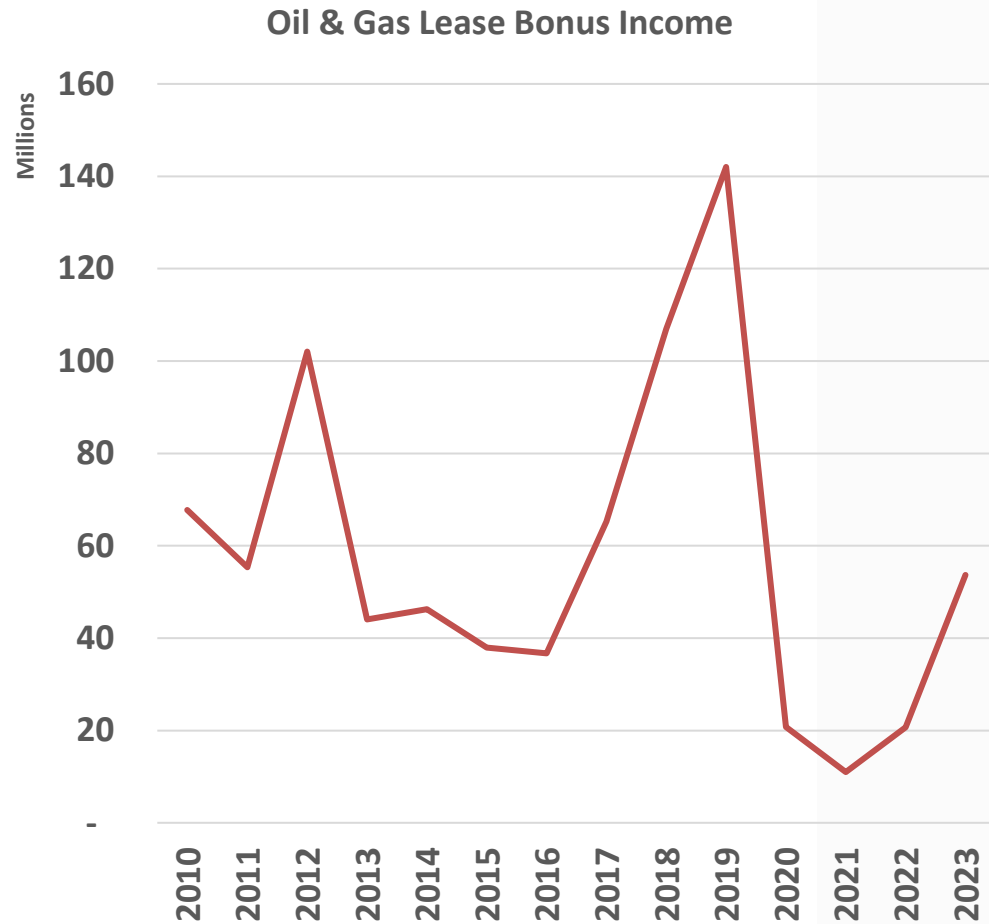
High Volatility in Land Maintenance Fund Distributions

Year-Over-Year % Change in LMF Distributions



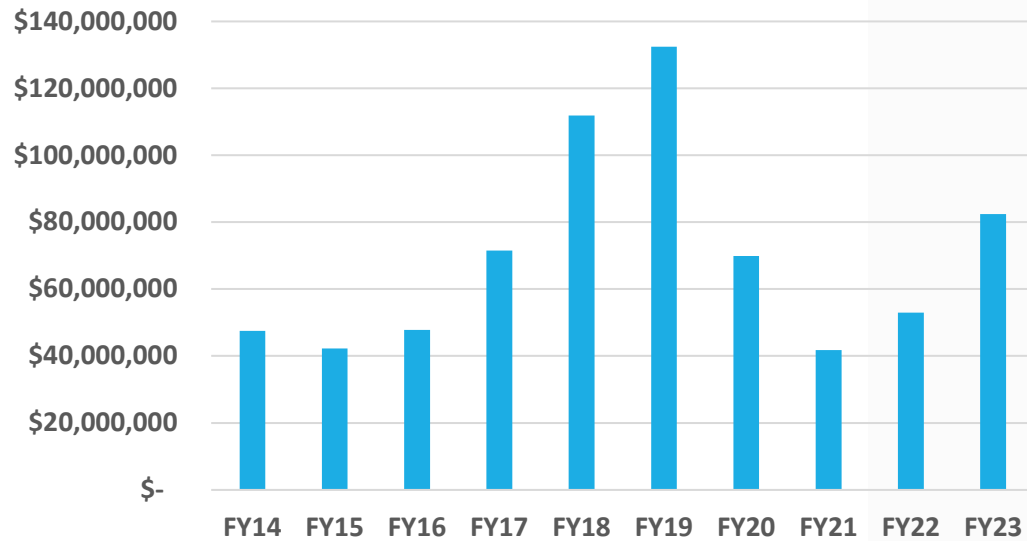
Top Ten LMF Revenue Sources

Reactive to Availability of O&G Parcels, Industry Driven Applications

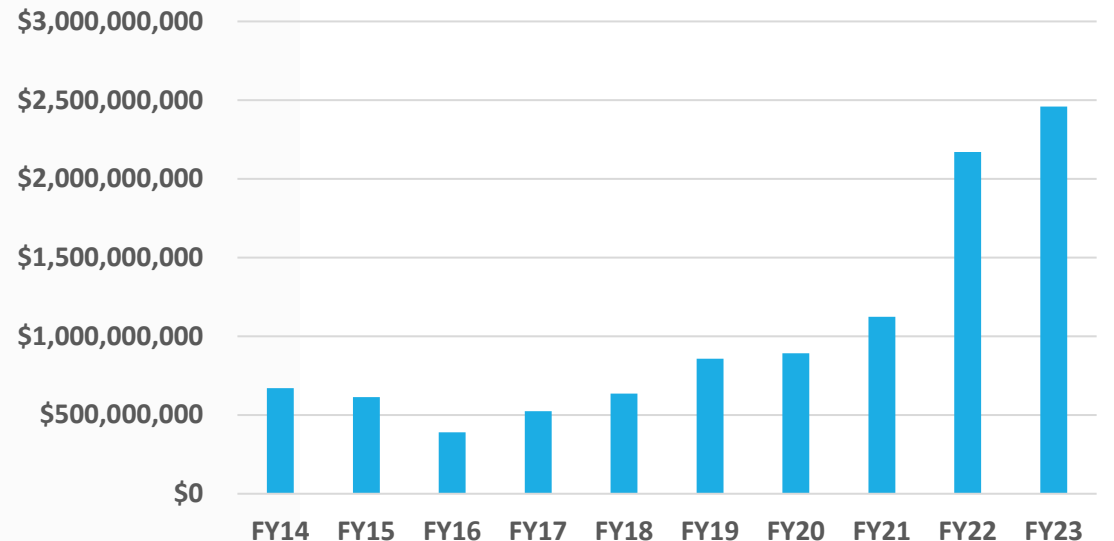


Common Schools

NMSLO Direct Distributions (LMF)

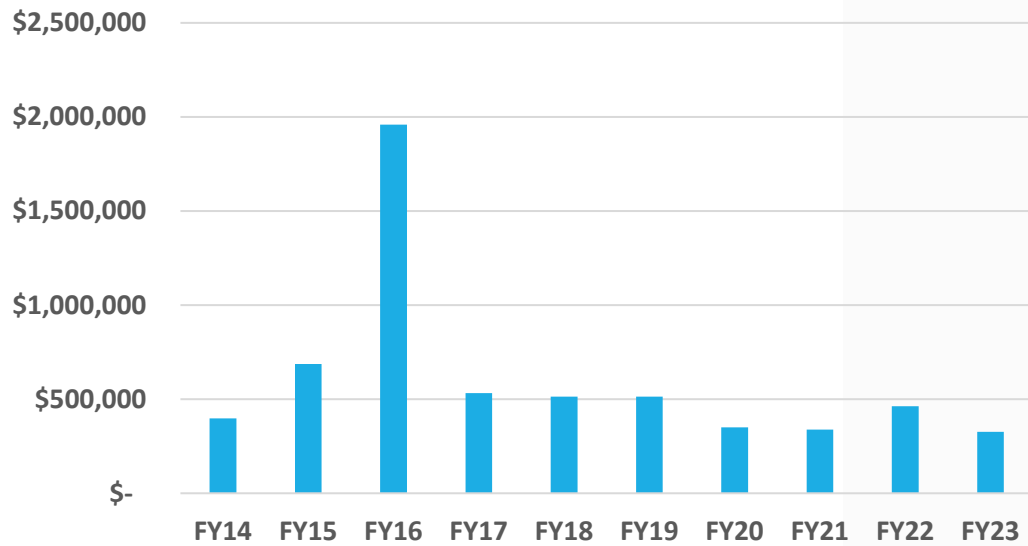


NMSLO Transfers to SIC (LGPF)

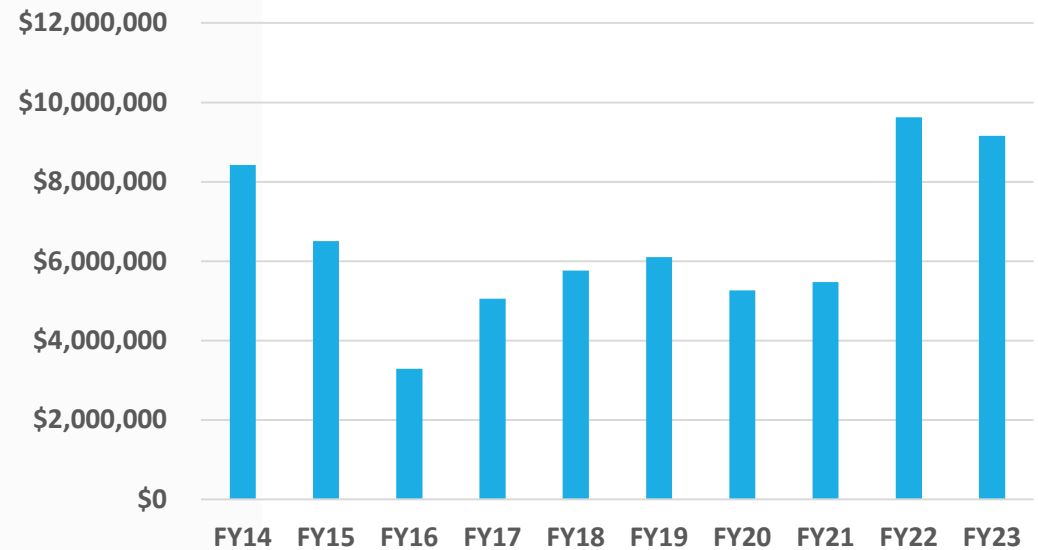


School for the Deaf

NMSLO Direct Distributions (LMF)

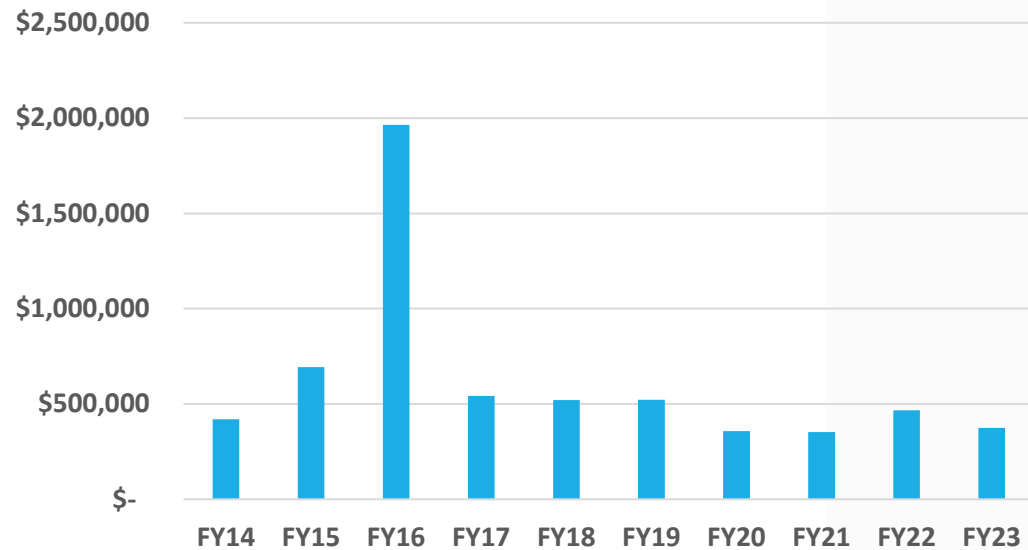


NMSLO Transfers to SIC (LGPF)

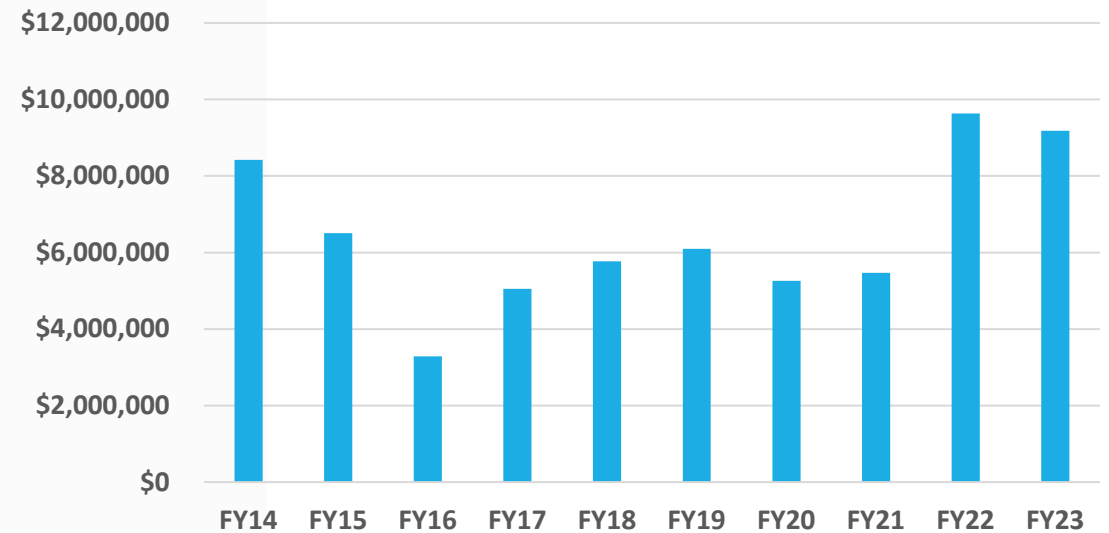


School for the Blind and Visually Impaired

NMSLO Direct Distributions (LMF)



NMSLO Transfers to SIC (LGPF)



Key Takeaways

- How NMSLO earnings are distributed to beneficiaries depends on the nature of the revenue, where the activity occurs
- LMF provides more immediate earning distributions but also lacks the stabilizing and growth (investment) aspects of the LGPF
- As diversification occurs, emerging revenue sources (such as renewable energy and economic development) are not positioned to leverage investment growth/stabilization prior to distribution
- LMF revenue is very volatile (subject to what projects come in the door, which ones get done, and where they occur / oil and gas lease auction uncertainty)
- Difficulty predicting future LMF earnings poses budgeting challenges for beneficiary agencies
- Ability to access “surplus” LMF revenue depends on the respective budget of each receiving agency
- State trust lands are a major economic and financial pillar of the state (LGPF/LMF annual distributions support the state budget, reducing taxpayer reliance to support public institutions)

QUESTIONS?



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