F I S C A L I M P A C T R E P O R T

SPONSOR:	Jennings	DATE TYPED:	02/08/00	HB	
SHORT TITLE:	Support for Senate Bill 1997			SB	SM 16
			ANALYST:		Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
		See Narrative		

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

Energy, Minerals and Natural Resources Department

SUMMARY

Synopsis of Bill

This memorial requests the United States Congress to enact Senate Bill 1997 to simplify federal oil and gas distributions.

Significant Issues

Generally speaking, the state receives 50 percent of bonus, rental and royalty receipts related to the production of crude oil and natural gas on federal lands. This revenue source is considered part of the General Fund, but is earmarked for public schools.

In 1990, Congress first enacted net receipts sharing provisions as part of the Interior Appropriations Act for FY 91 as part of an agreement on various issues related to that bill. In essence, the states were expected to bear some portion of the costs relating to administering various functions in the mineral leasing processes, including certain costs incurred by the Minerals Management Service as well as the Bureau of Land Management. Thus, the federal government calculates the state's share of administrative costs each month, and withholds that amount before distributing the state's share of receipts.

Since that time, there has been considerable effort to appeal the provision, change the formula for calculating administrative costs, analyze the cost allocation procedures used as well as some states interested in administering their own programs. Currently, the authority for net receipts sharing is the Omnibus Budget Reconciliation Act of 1993. The Inspector General of the United States Department of the Interior has found that states have been overcharged because of inaccurate cost estimates.

The memorial urges support, without amendment, for S. 1997, sponsored by Senator Jeff Bingaman of New Mexico which was introduced on November 19, 1999 and referred to the Committee on Energy and Natural Resources of the House of Representatives. The measure would abolish the state share in administrative costs of the program.

Through October 1999, total deductions for New Mexico under the administrative cost sharing concept totaled $65,282.8. Recently, the deduction has been in the range of $5,000.0 to $6,000.0 per year.

FISCAL IMPLICATIONS

None at this time on the general fund. Potentially, passage of federal legislation authorizing the repeal of net receipts sharing by the states could increase New Mexico's share of federal mineral leasing receipts by $5,000.0 to $6,000.0.

ADMINISTRATIVE IMPLICATIONS

None to the state.

AW/gm