

Diversifying Revenue on New Mexico's State Trust Lands



Kelly Pohl
Associate Director



Mark Haggerty
Economic Geographer



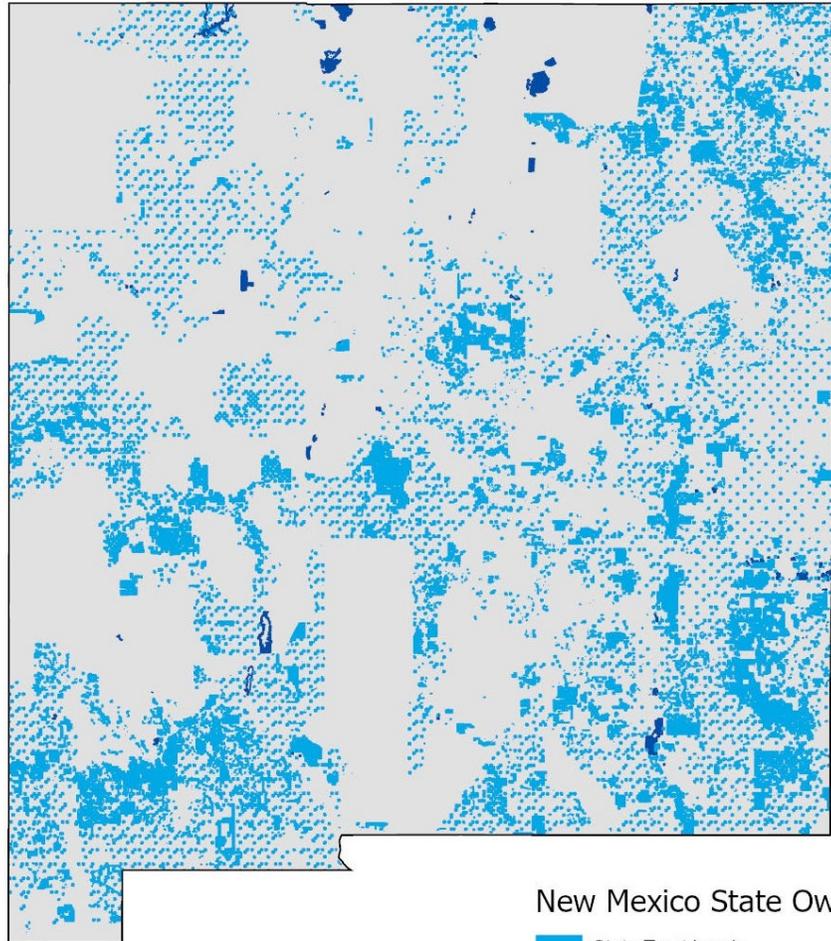
Independent Nonpartisan Research



Today:

- 1 Background
- 2 Key themes
- 3 Recommendations

State Trust Lands in New Mexico



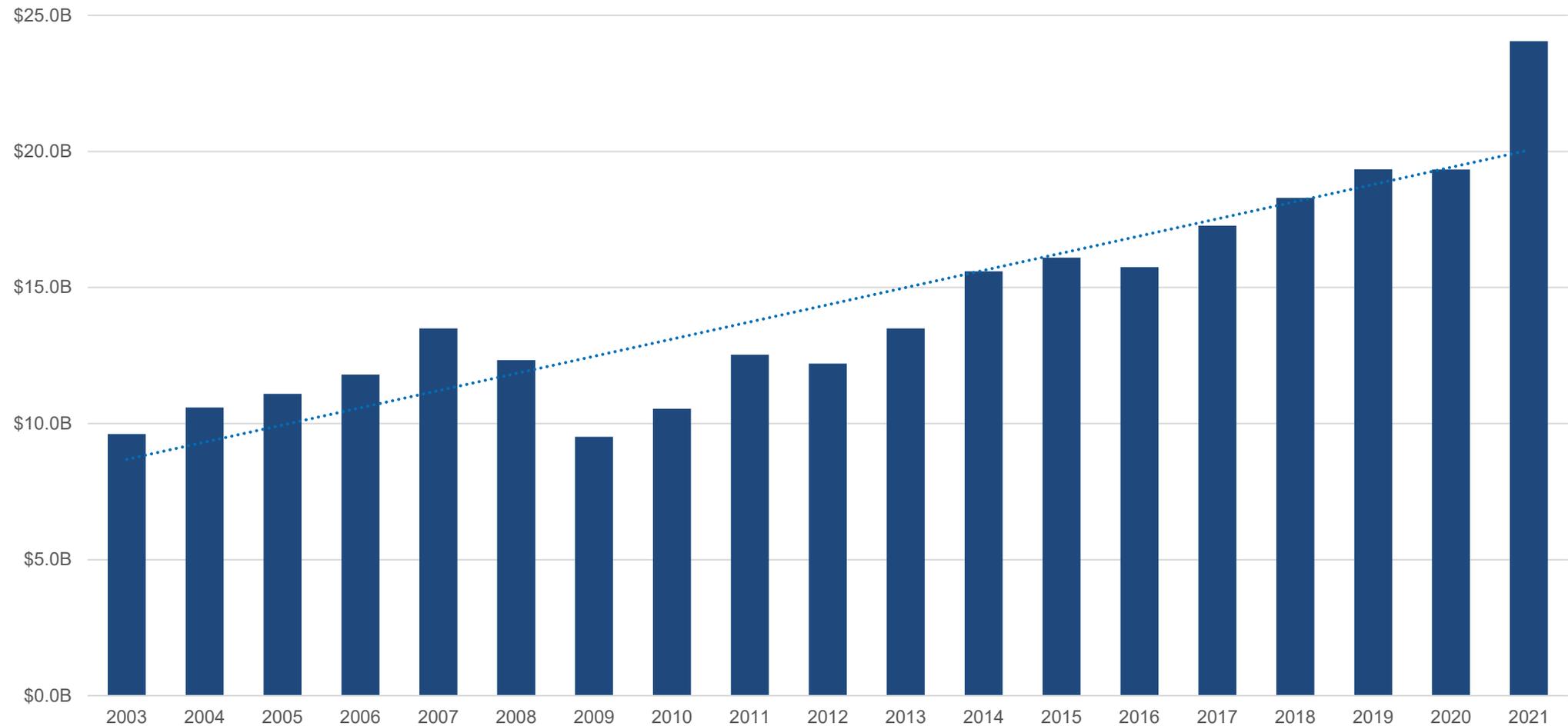
New Mexico State Ownership

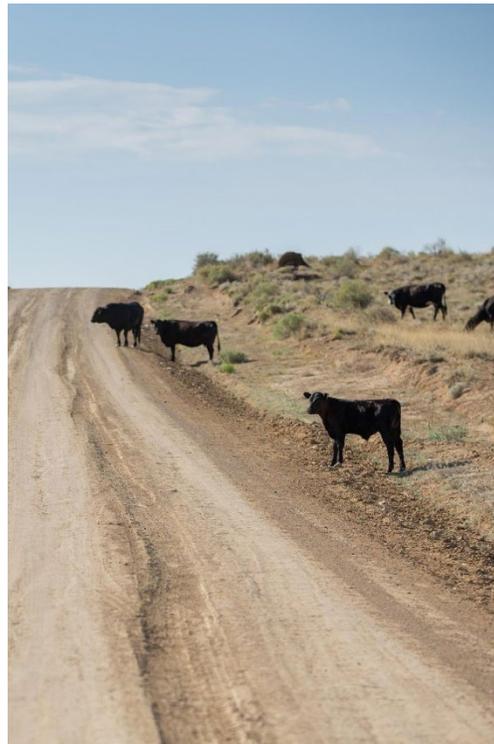
- State Trust Lands
- Other State-Owned Lands

State trust lands are 10% of New Mexico's land area—more than 9 million acres.

New Mexico's management is model fiscal policy

Land Grant Permanent Fund Balance





Today:

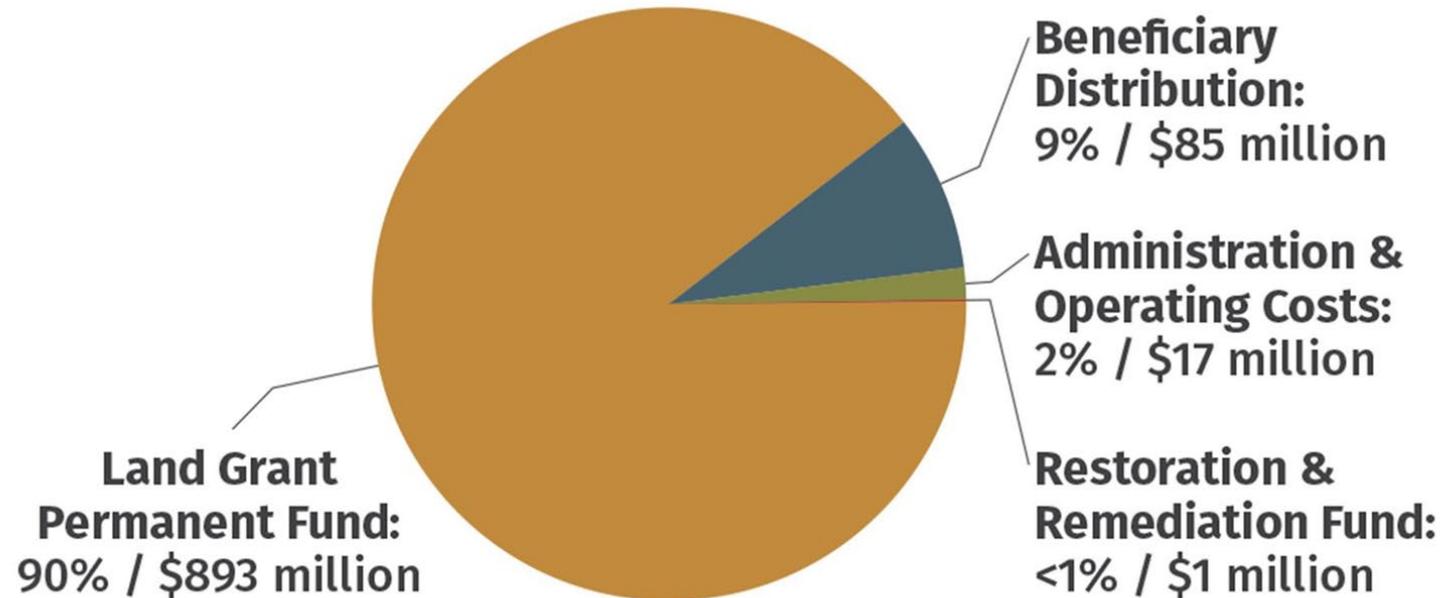
- 1 Background
- 2 Key themes**
- 3 Recommendations

1) Unique mandate to maintain the value of the trust.

2) A more active approach is required going forward.

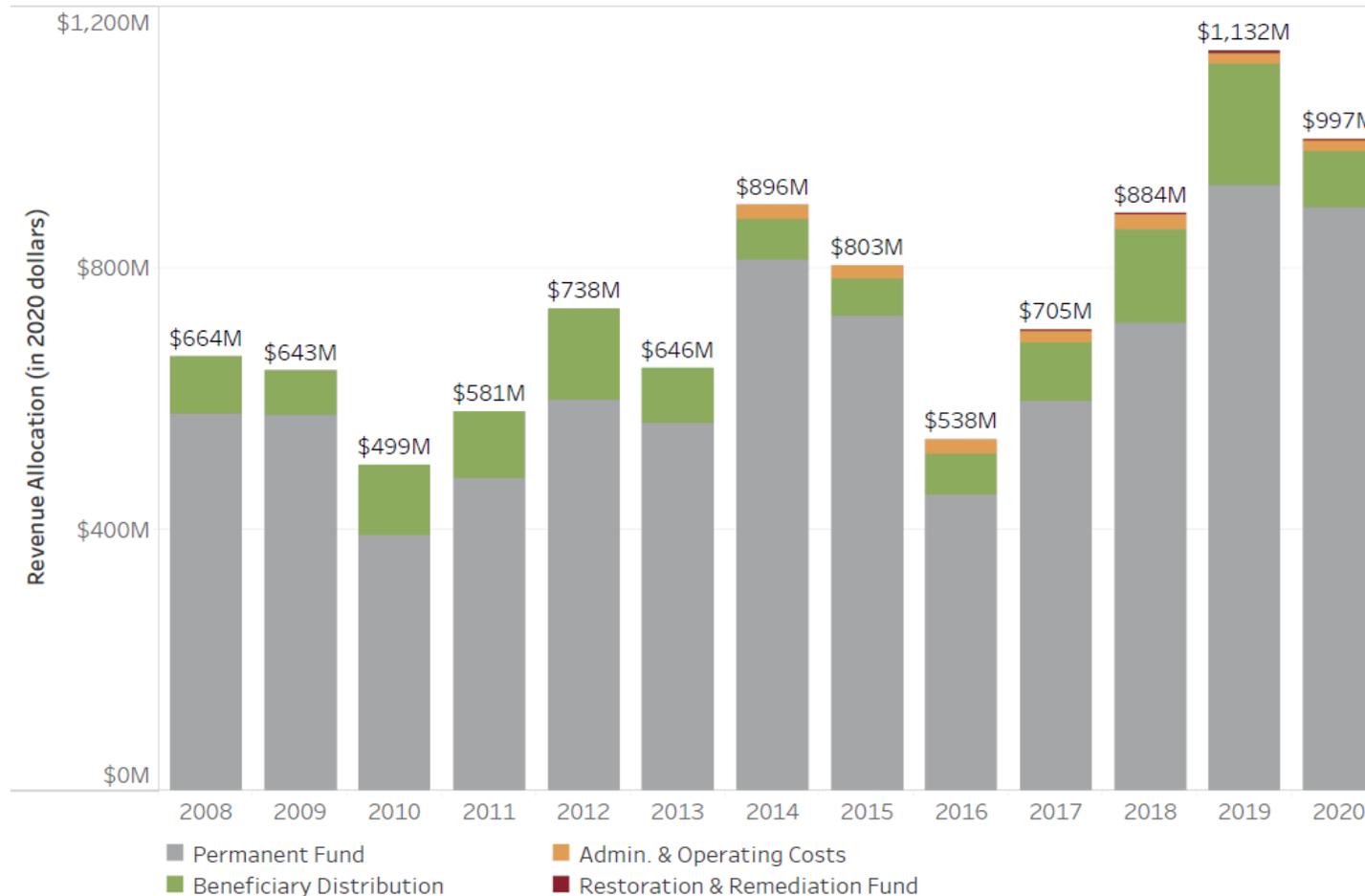
Most revenue is saved

State trust land revenue allocations, FY2020



Beneficiaries receive stabilized revenue

Beneficiary distributions, FY2020



New Mexico is moving away from a passive approach

Risk—and reward—vary along a continuum

<< Less risk, less return		More risk, more return >>	
Passive approach	Moderate approach	Aggressive approach	
<ul style="list-style-type: none">• The state waits for producers to request leases and develop resources. Lessee absorbs all risk.• The state receives fixed returns through rents and leases.	<ul style="list-style-type: none">• Through partnerships with developers and others, the state shares upfront costs and risks.• The state receives income through rents and leases, as well as a share of returns.	<ul style="list-style-type: none">• The state develops resources and produces commodities itself, paying all upfront costs and taking all risk.• The state receives all benefits and returns.	

Today:

- 1 Background
- 2 Key themes
- 3 Recommendations**

Land management activities
that leverage state land assets and align with economic development opportunity and goals.

Fiscal & administrative strategies
that position the SLO to be more proactive and effective in partnerships.

Land management activities that can help diversify revenue from New Mexico state trust lands.



Renewable energy:

Expand solar and wind generation, energy storage, and transmission.



Commercial development:

Develop the potential on state lands for manufacturing, real estate, and other development.



Outdoor recreation:

Diversify revenues beyond recreation permit sales through leases and partnerships.



Conservation:

Find ways to monetize the ecological and cultural values of state trust lands, via leases or participation in carbon markets.



**Renewable
energy:**



**Commercial
development:**



**Outdoor
recreation:**



Conservation:

- **Renewable energy investments could expand five to ten times in coming years.**
- **The SLO and SIC are well positioned to prioritize and invest in capacity on state trust lands.**



Renewable
energy:



Commercial
development:



Outdoor
recreation:



Conservation:

- **SLO can leverage new leasing authority and partnerships to complete large, complex projects that generate revenue and align with state economic development objectives.**



Renewable
energy:



Commercial
development:



Outdoor
recreation:



Conservation:

- **Outdoor recreation is among the fastest growing sectors in NM.**
- **Recreation leases, user permits, and creative partnerships can be additional to ag lease revenue.**
- **Recreation partnerships return multiple benefits (e.g., expanded access, branding, and resource protection).**



**Renewable
energy:**



**Commercial
development:**



**Outdoor
recreation:**



Conservation:

- **State trust lands contain significant ecological and cultural values which can be considered in leasing.**
- **Monetizing conservation values can occur through conservation leasing, participating in carbon markets, and through partnerships with state agencies.**

Fiscal and administrative strategies that can help stabilize and diversify revenue.



Strategic planning:

Identify new market opportunities and position state assets to capture those opportunities and evaluate outcomes.



Active revenue models:

Increase the SLO's authority and capacity to direct how to prioritize, use, and allocate resources for state trust lands.



Portfolio management:

Implement a strategy that provides the SLO with authority to invest and optimize revenue and mitigate risk across all state trust lands.



Partnerships:

Expand resources and capacity to invest in, market, and manage state trust lands with partner organizations.



**Strategic
planning:**



**Active revenue
models:**



**Portfolio
management:**



Partnerships:

- **Establish a vision and direction that moves the SLO from a relatively passive approach of leasing state trust lands to actively allocating resources toward priority activities.**
- **A bipartisan and transparent planning process is more likely to be viewed as credible and useful by future land commissioners**



Strategic
planning:



Active revenue
models:



Portfolio
management:



Partnerships:

- **Sometimes you have to spend money to make money (e.g., infrastructure, planning approvals, restoration).**
- **Leverage investments to retain more authority and ownership with the SLO when leasing.**



Strategic
planning:



Active revenue
models:



Portfolio
management:



Partnerships:

- **Manage lands as a balanced portfolio of assets rather than passively leasing individual parcels.**
- **Mitigates risk of active revenue models and identifies synergies that increase the overall portfolio value of trust assets.**



Strategic
planning:



Active revenue
models:



Portfolio
management:



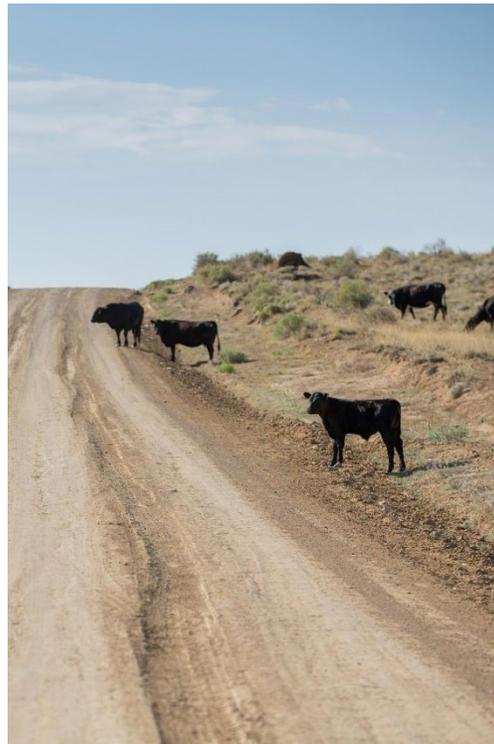
Partnerships:

- **The goal of partnerships is to expand the SLO's capacity.**
- **Partnerships diversify and expand revenue and deliver additional value and services.**



Improved stewardship of continued oil and natural gas activities will help stabilize revenue and avoid unanticipated costs and impacts.





Thank you!



headwaterseconomics.org
[@headecon](https://twitter.com/headecon)

Kelly Pohl

406.599.7841

kelly@headwaterseconomics.org

Mark Haggerty

406.570.5626

mhaggerty@americanprogress.org