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FISCAL IMPACT REPORT

SPONSOR Anderson ORIGINAL DATE 2-1-2008
LAST UPDATED 2-7-2008 HJM 29/aHEC
SHORT TITLE Enact Federal Public Lands & Education Act SB _____
ANALYST Woods

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 241, HB 229, HB 311, HB 398, HJR 8, and HJR 10

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Land Office (SLO)

Public Education Department (PED)

SUMMARY

Synopsis of HEC Amendment

As included in the resolutions on page 4, lines 2 through 13, House Education Committee amendment to House Joint Memorial 29 clarifies language that identifies federal legislation. Specifically, the amended resolutions now read:

NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO that passage of federal legislation that would authorize western states to make selections of public land within their borders in lieu of receiving five percent of the proceeds of the sale of public land lying within their borders, be supported; and

BE IT FURTHER RESOLVED that the New Mexico congressional delegation be requested to actively work for the passage of federal legislation so that New Mexico may receive federal payments or land that will contribute to education improvement for New Mexico's school children; and

House Education Committee amendment to House Joint Memorial 29 adds no appropriation to the legislation.

Synopsis of Original Bill

House Joint Memorial 29 notes that the ability of Western States to fund education is directly related to federal ownership of state lands because, among other factors, state and local property taxes upon which public education relies heavily cannot be assessed on federal lands. This resolution supports H.R. 3614 or S. 2072, also known as the Action Plan for Public Lands and Education Act of 2007, which would authorize western states to make selections of public land within their borders in lieu of receiving five percent of the proceeds of the sale of public land lying within their borders. Furthermore, that the New Mexico congressional delegation be requested to actively work for the passage of these bills so that New Mexico may receive federal payments or land that will contribute to education improvement for New Mexico's school children.

FISCAL IMPLICATIONS

SLO indicates that while this is promoted as being a replacement for the 5 percent from sales of public lands due the state under the federal government's plan at the time of statehood, no effort is made to demonstrate how 5 percent of the land would be equivalent to 5 percent of the land sales.

PED suggests that the fiscal implications cannot be determined at this time; "The amount of funding or land that would be distributed to New Mexico as a result of the passage of H.R. 3614 and S. 2072 would determine the additional revenues to the state for public education. These properties would be managed by the New Mexico State Land Office, which would deposit the royalties from leasing the properties into the Land Grant Permanent Fund that invested through the State Investment Council. Public education is a beneficiary of these investments."

SIGNIFICANT ISSUES

SLO advises, as introduced into the 110th Congress, 1st Session, H. R. 3614, Action Plan for Public Lands and Education Act of 2007 SEC. 3. QUANTITY GRANTS TO WESTERN STATES FOR EDUCATION IMPROVEMENT states the following:

(e) Permanent School Fund- All land selected by each of the Western States shall be held in trust by the State agency empowered to sale or lease such lands, the proceeds of which shall be used as a permanent fund, the interest of which shall only be expended for the support of public education.

Following these definitions, SLO indicates that it is assumed that in the State of New Mexico, the New Mexico State Land Office is the agency that shall be empowered with administering the selected lands. If the lands selected are on subsurface mineral, oil, gas properties making royalty payments to the United States, the leasehold interest will remain in the ownership of the US. After those rights terminate, the subsurface mineral rights shall become the property of the Western State. Assuming most federal leases are "for so long as there is production" type leases, little benefit may come to the state from waiting until all mineral resources were exhausted (and all royalties paid to the federal government) before any value was derived.

PED adds that, according to the study conducted by the Public School Funding Formula Task Force, the amount of funding to obtain sufficiency is an additional \$354.2 million above current

funding levels. It appears that the passage of H.R. 3614 and S. 2072 would allow for some of the additional funding necessary to implement the Public School Funding Formula Task Force recommendation. Ultimately, the passage of H.R. 3614 and S. 2072 appears to provide some additional funding to allow implementation of a new proposed public school funding formula that impacts all public school support performance measures.

PERFORMANCE IMPLICATIONS

SLO states, “If lands are selected in lieu of receiving 5% for sale of public lands and the New Mexico State Land Office is charged with administering those lands without an increase in operating budget, administrative performance may be reduced.”

ADMINISTRATIVE IMPLICATIONS

SLO suggests that the law does not specify who would be charged with the selection of the lands, or with dealing with the federal government in having those selections confirmed and granted. This will require significant staff time and funding to do. The lands granted could be managed by the Commissioner of Public Lands. Funds derived from them would go into the permanent fund to be managed by the State Investment Council. It is unclear if the income, if any, derived from the granted lands, could cover the costs of administering them and additional resources may be necessary for effective management. In addition, it is unclear if these selected lands would be burdened with any additional federal land management requirements due to the transfer of federal lands to the states.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

PED indicates the legislation relates to HB241, which proposes a new public school funding formula for the State of New Mexico. Also relates to HB 229, HB311, HB398, HJR 8, and HJR 10 which provide additional funding to enact the new public school funding formula.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

SLO indicates that it “will continue to manage existing trust lands for their beneficiaries.”