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FISCAL IMPACT REPORT

ORIGINAL DATE 3-04-09
 SPONSOR Cote LAST UPDATED 3-10-09 HM 67/aHFL#1
 SHORT TITLE Land Commissioner Record-Keeping Study SB _____
 ANALYST Woods

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)
 State Land Office (SLO)

No Response Received From¹

State Auditor
 Attorney General
 Taxation and Revenue Department
 Economic Development Department

SUMMARY

Synopsis of HFL#1

House Floor Amendment Number 1 removes the Attorney General's Office from the agencies being requested to assist the interim legislative committee in the study, and from the list of memorial recipients.

Synopsis of Original Bill

House Memorial 67 resolves that the New Mexico Legislative Council assign an interim legislative committee to study the current recordkeeping and accounting systems of the Commissioner of Public Lands. The State Auditor, the Attorney General, the Economic

¹ Comments requested on 3-2-09.

Development Department and the Commissioner of Public Lands or their representatives will be asked to assist. The committee is to report its findings to the legislature.

SIGNIFICANT ISSUES

As background, EMNRD advises that the Commissioner of Public Lands currently uses the oil and natural gas administration and revenue database system (ONGARD) to classify accounts and generate reports, and HM 67 proposes to study whether ONGARD meets the needs of the State Land Office. ONGARD is a computerized database system used by three entities: the Commission of Public Lands, the Taxation and Revenue Department, and the Oil Conservation Division. By statute, the three entities are to enter into a joint powers agreement for the purpose of cooperating the joint design, development, acquisition and implementation of the ONGARD system. NMSA 1978, Section 19-10B-7. HM 67 fails to include two of the three participating entities in the study of ONGARD: the Taxation and Revenue Department and the OCD. ONGARD has been the subject of several studies, and it is unclear what additional information is being sought by HM 67. The legislature allocated \$500,000 for a study of ONGARD in FY08 and FY09. The main components of this study were a project manager, a “function-point analysis,” a business case analysis of options for the future and a final recommendation. The study included approximately 100 pages of interviews with all ONGARD stakeholders documenting what functions the current system cannot do, as well as other issues. Also documented were quantified benefits of enhancing ONGARD, by specific function. Based on this study, an additional \$8 million was requested from the Department of Information Technology (DoIT) for FY10 and beyond. DoIT did not recommend pursuing this expenditure. ONGARD was also studied during a year-long evaluation by Harry Beck in 2005 and by a team from CIBER, Inc. in 2003.

SLO indicates that, if enacted, House Memorial 67 would demonstrate to the interim committee the steps taken by the SLO to both maintain ONGARD, the current recordkeeping and accounting system used by not only the SLO, but Taxation and Revenue Department (TRD) and the Oil Conservation Division (OCD). As indicated in HM 67, ONGARD is nineteen years old, and when implemented was designed specifically for the collection of oil and gas royalties and taxes due to the State. Over its lifetime, ONGARD has been modified and adjusted to accommodate the other types of leases entered into by the SLO, for the purpose of maintaining one system for accounting and recordkeeping with the agency. In efforts to increase efficiency and avail the SLO, TRD and OCD of the latest technological advances, appropriations have been made intermittently over the last six years to study modernization and needed improvements to the ONGARD system. SLO further advises:

In the 2007 and 2008 legislative sessions, \$1.5million was allocated respectively towards a Planning and Initiation Phase of the ONGARD Modernizing initiative. In September of 2008, the SLO submitted a C2 Computer Enhancement Request as part of its FY10 IT Plan and tri-agency special appropriate budget request to implement recommended subsequent Phases; which describes the status of ONGARD and how prior appropriations have been used to update and maintain the system. Currently there is a budget request for additional funding to modernize the system and its use for all three applicable agencies. This report is currently available for review should HM 67 be enacted.

As one member of a Tri-Agency group, the SLO must consider the needs of both TRD and OCD when requesting funding or future development of ONGARD. Due to the variety of income sources generated by the SLO via leases, land sales and exchanges, the SLO often needs to adjust and modify ONGARD to properly keep track of discrete data sets created by this variety of income sources. Conversely, both TRD and OCD do not require such changes and modifications as the primary accounting function required for the two agencies remain the oil and gas industry, for which ONGARD was created. As the needs of the three agencies differ, it is often difficult to find a consensus for future development and utilization of ONGARD. A potential solution to this issue would be the development and implementation of a new program specific to the SLO designed to accommodate the different types of surface income streams and eventually to incorporate the oil and gas revenue stream for which ONGARD was designed.

In efforts to ascertain the costs involved with upkeep of ONGARD and potentially a new system, the SLO has cooperatively performed tri-agency involved studies and obtained estimated costs associated with either of the aforementioned choices. This information is currently available in the C2 ONGARD Modernization Business Case discussed above. Specifically, part of the report includes an approved ONGARD Modernization Strategic Roadmap that was based on interviews with thirty (30) stakeholders including the vision and goal of ONGARD as well as the strengths and weaknesses. Further involvement and input from the Oil and Gas Industry will be included in finalizing a solution.

SLO concludes that, “As described, a wealth of information currently exists and is available for review by the interim committee should HM 67 be enacted. The SLO is prepared to accept the assistance of the committee which may lead greater support for the SLO to implement the changes suggested in the report.”

ADMINISTRATIVE IMPLICATIONS

EMNRD suggests that, “HM 67 may want to request that the Taxation and Revenue Department and OCD participate in preparation of the study, because those two entities are stakeholders in ONGARD.”

SLO adds, “Minor [administrative implications], as our current system is capable of generating reports that could give members of the interim committee data demonstrating the record keeping and accounting processes utilized by the SLO.”

TECHNICAL ISSUES

SLO suggests that the legislation seeks to involve both the Attorney General and the Economic Development Department; however, “It is unclear what role either two of these agencies would have in participating in the study as neither directly interact with the SLO regarding accounting and recordkeeping or what expertise each may have for such a study.”

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

SLO states that, “[It] would continue using ONGARD and seek potential solutions for developing a more efficient system that accommodates the unique income streams coming into the SLO. Additionally, studies that are currently available may be reassessed as new technology becomes available or if continued use of ONGARD becomes unfeasible in the future.”

AMENDMENTS

EMNRD suggests:

Amend lines 19-23 of page 2 as follows: BE IT FURTHER RESOLVED that the state auditor, the attorney general, the economic development department, ~~and~~ the commissioner of public lands, the taxation and revenue department and the energy, minerals and natural resources department or their representatives be requested to assist the interim legislative committee in the study; and

Amend lines 2-5 of page 3 as follows: BE IT FURTHER RESOLVED that copies of this memorial be transmitted to the New Mexico legislative council, the state auditor, the attorney general, the economic development department, ~~and~~ the commissioner of public lands, the taxation and revenue department and the energy, minerals and natural resources department.

SLO suggests: “Re-design the interim committee to review existing reports and make funding recommendations to support ongoing ONGARD maintenance and upgrade efforts.”

BW/mc:mt