

Natural Resources

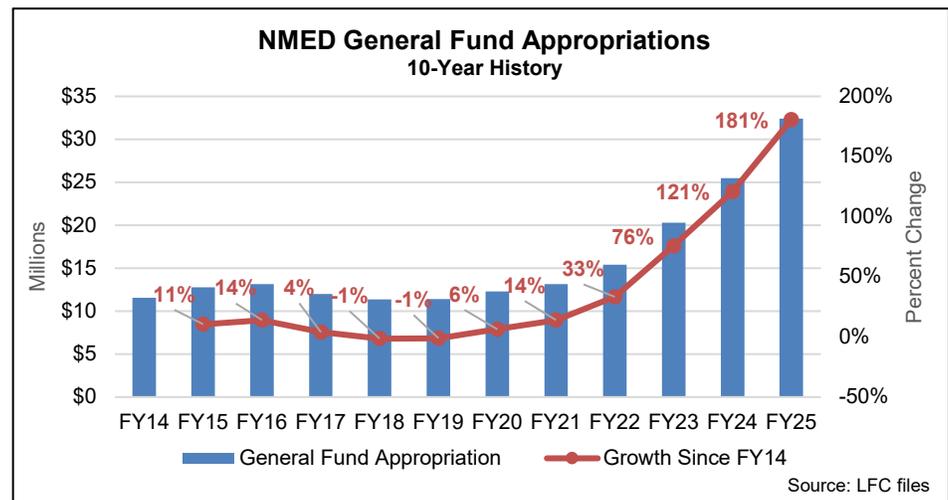
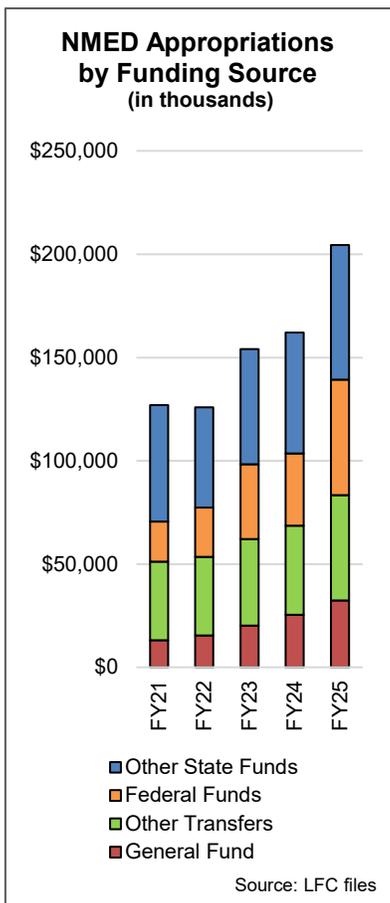
The General Appropriation Act of 2024 increased FY25 recurring general fund appropriations for key natural resources agencies—the Energy, Minerals and Natural Resources Department, the Office of the State Engineer, and the Environment Department—by \$12.2 million. Nonrecurring general fund appropriations to these agencies and others that support natural resources policy totaled \$352.3 million.

This amount includes a \$300 million appropriation to the Department of Finance and Administration for the conservation legacy permanent fund. Other recurring and nonrecurring investments were made for climate change response and damage mitigation (\$19.5 million); water conservation, management, and infrastructure improvements (\$30.8 million); the protection and remediation of natural lands and habitat (\$2.4 million); and oversight of the oil and gas industry (\$10.8 million).

Agency Operating Budgets

Environment Department

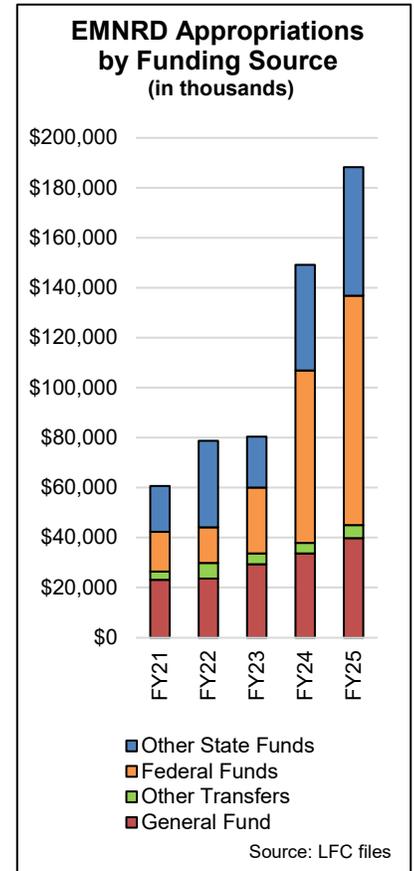
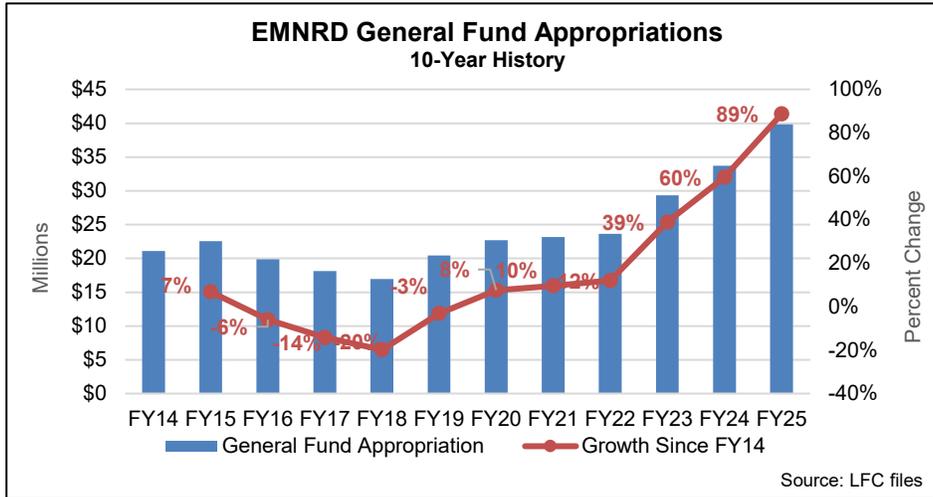
The General Appropriation Act of 2024 (GAA) increased recurring general fund appropriations to the Environment Department (NMED) by \$6.9 million, or 27.1 percent. The large majority of that increase, \$5.7 million, will fund agency-wide pay raises to support appropriate placement. The remainder will be used for NMED’s building leases for office space.



Energy, Minerals and Natural Resources Department

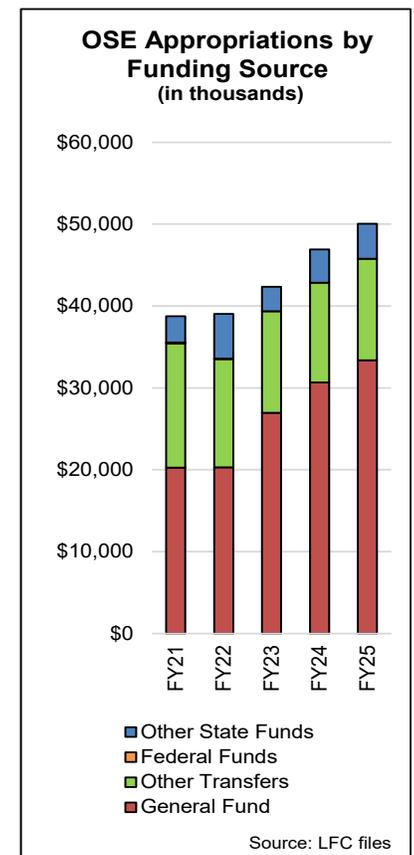
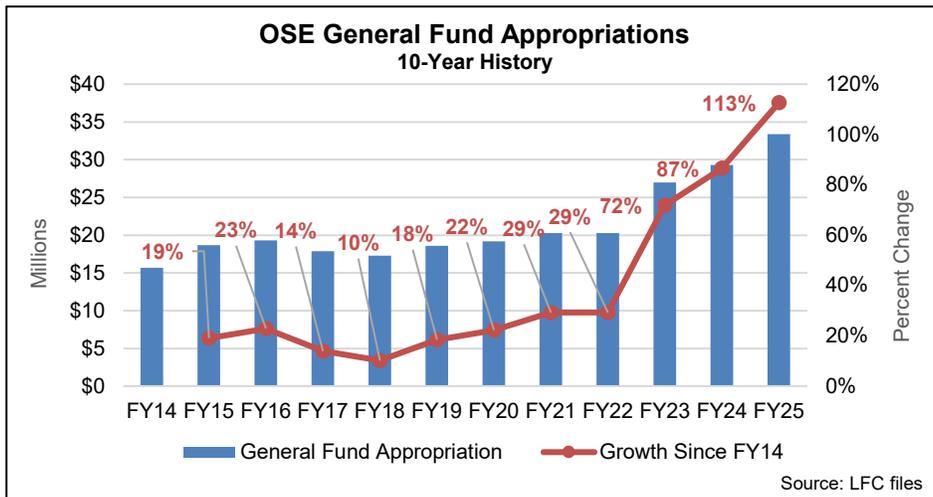
Recurring general fund appropriations to the Energy, Minerals and Natural Resources Department (EMNRD) increased by \$4.4 million in FY25, 12.5 percent compared with FY24. The increase comprised \$3.1 million in base funding and \$1.3 million for program expansions. Over \$1.2 million was invested in personnel resources for the State Forestry Division to staff a second “hotshot crew” for rapid wildfire response and to increase salaries for a new wildland firefighter job classification. The State Parks Division also received personnel funding to fill vacant positions.

The GAA funded program expansions for Water Data Act reporting requirements, environmental and underground injection control field staff, and a hearing examiner for the Oil Conservation Commission.



Office of the State Engineer

The GAA increased recurring general fund appropriations to the Office of the State Engineer (OSE) by \$2.7 million, or 8.9 percent. The budget increases will support program expansions across the agency for Water Security Planning Act implementation, active water resource management, and water infrastructure project funding and administration. The expansions related to water infrastructure were developed by OSE based on recommendations from the 2023 Water Policy and Infrastructure Task Force.



Nonrecurring Appropriations

Climate Change Response and Mitigation

More than \$18.2 million was appropriated in the 2024 GAA for initiatives to respond to and mitigate damage from climate change. These include new geothermal energy programs to conduct research and development at the New Mexico Institute of Mining and Technology and to provide grants and loans for

Trust Land Royalty Rates

An attempt to raise the maximum royalty rate on oil and gas production on certain high-value state trust land tracts passed the House but failed in the Senate in the fourth legislative attempt to raise the rate since 2017. New Mexico's 20 percent maximum royalty rate for oil and gas leases on trust land, last updated in the 1970s, is higher than those in most other states with trust land but less than that charged by Texas, New Mexico's competitor in the high-production Permian Basin. Raising the rate to 25 percent was expected to generate from \$50 million to \$75 million more a year for the land grant permanent fund. The State Land Office announced in early March 2024, shortly after the session ended, it would not include premium tracts in its monthly oil and gas lease sale until the rate is increased, arguing the state is losing money by offering to lease these lands at what it calls submarket rates.

cost-benefit studies and construction of geothermal energy projects. The grants and loans will be available through two new funds created by House Bill 91 (Laws 2024, Chapter 55) for the purpose of financing geothermal development projects.

EMNRD received \$10 million to administer low-interest loan programs for weatherization and adoption of renewable energy technologies in low-income communities. State funding for grid resilience and modernization grants will allow New Mexico to leverage an additional \$14 million in federal funding from the Infrastructure Investment and Jobs Act.

Water Conservation, Management, and Infrastructure

The Legislature appropriated \$20 million to OSE to support Indian water rights settlement projects through FY27. OSE also received nonrecurring appropriations to update physical and digital infrastructure that improves water data quality and management. The GAA appropriated \$7 million from the general fund to the water quality management fund, administered by NMED, for the development, implementation, and administration of state surface and ground water permitting programs.

Land and Habitat Protection

Legacy Fund. The General Appropriation Act includes a \$300 million transfer from the general fund to the conservation legacy permanent fund, which is invested to generate income for natural resources programs in six state agencies. The influx of cash will bring the funding in the permanent fund to a level that will generate more income sooner for the beneficiary agencies. Created in 2023 with an initial appropriation of \$50 million, the permanent fund must reach \$150 million before funds are transferred to the land of enchantment legacy fund, the program from which funds are distributed to the beneficiaries. The permanent fund was not projected to hit the threshold for 15 years. While the land of enchantment fund also received a \$50 million appropriation in 2023, that money was expected to run out in four years. The appropriation in the GAA brings the value of the permanent fund to \$350 million, above the threshold, and funds should start flowing from the permanent fund to the program fund in FY26.

Other appropriations will support conservation and remediation efforts by funding staff for the Rio Grande Trail Commission and activities that protect the public from emerging contaminants, such as PFAS.

Oil and Gas Industry Oversight

In addition to operating budget growth that continually increases the state's capacity to enforce regulatory compliance, the GAA includes nonrecurring appropriations to EMNRD and NMED to improve oversight of the oil and gas industry. The Oil Conservation Division in EMNRD received \$2.5 million to address inspection and compliance backlogs, and NMED received \$1 million for inspections and enforcement and \$600 thousand for its surface water discharge permitting program.