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

ORIGINAL DATE 3/02/07
SPONSOR Bandy **LAST UPDATED** 3/8/07 **HM** 57/aHENRC

SHORT TITLE Federal Mineral Lands Leasing Act Compliance **SB**

ANALYST Wilson

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Energy, Minerals & Natural Resources (EMNRD)

SUMMARY

Synopsis of HENRC Amendment

The House Energy & Natural Resources amendment removes language stating the State currently is not in compliance with the provisions of the federal Mineral Lands Leasing Act and replaces it with language stating that a question has arisen as to whether the state is complying with federal law in its distribution of money received pursuant to the federal Mineral Lands Leasing Act.

The same result occurs in the second and third part of the amendment when language stating the State is out of compliance with the federal Mineral Lands Leasing Act is changed to language stating that the legislature wants to ensure state compliance the federal Mineral Lands Leasing Act.

Synopsis of Original Bill

House Memorial 57 requests the appropriate interim legislative committee review the State's compliance with the provisions of the federal Mineral Lands Leasing Act and use of revenue accruing to the State pursuant to that act.

The committee should develop and propose legislation to the 2008 regular legislative that will bring the State into compliance the federal Mineral Lands Leasing Act.

FISCAL IMPLICATIONS

The memorial has no direct fiscal implications. However, its potential fiscal implications may be quite substantial. These revenues are currently contributing to the support of public education. If it were determined to be necessary to reallocate funds derived from royalties on mineral production from federal lands to other uses than those to which such funds are now allocated, activities currently funded from this source would have to be curtailed or discontinued, or, alternatively, other sources of funding would have to be found to support such activities.

Since the amount of funds that the State receives from this source was approximately $574,000,000 last year. The potential impacts are also substantial if the state is, in fact, not in compliance.

SIGNIFICANT ISSUES

Title 30, Section 191 of the federal Mineral Lands Leasing Act requires the treasury of the United States to distribute to New Mexico 50 % of the money received from sales, bonuses and royalties collected under the Federal Oil and Gas Royalty Management Act and the federal Geothermal Steam Act attributable to lands and mineral deposits in the state.

Title 30, Section 191 of the federal Mineral Lands Leasing Act states that the money paid to the state is to be used by the state and its political subdivisions as by the legislature, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under that act for planning, for construction and maintenance of public facilities and for the provision of public service.

Currently the state gives no priority or consideration to those political subdivisions of the state affected by the development of minerals leased under the federal Mineral Lands Leasing Act as required by that act.

The fact that the state is not in compliance with federal law has already resulted in the state being sued.

DW/mt