



The bill seeks to appropriate \$500,000 annually out of the State Lands Maintenance Fund created by Section 19-1-11 NMSA 1978 or such part thereof as may be necessary for the purpose of making refunds of payments determined in the manner provided by Sections 19-7-59 through 19-7-63 NMSA 1978 to have been erroneously collected; provided, however, that any refund of money paid into any fund other than the state lands maintenance fund shall be made only out of that part of the state lands maintenance fund distributable to the fund into which such payment was erroneously made, under the provisions of Section 19-1-13 NMSA 1978."

The effective date of the provisions of this legislation is July 1, 2007.

### **FISCAL IMPLICATIONS**

SLO indicates that in reviewing the Land Office recoupments/refunds for the past two years the average is \$1,000,000 per year. The additional four years to file for recoupments/refunds is assumed to be in the same fiscal range. Underlying any recoupment or refund is the premise that the money was not due the state in the first place so any revenue impact is technically money that is not due the state under its lease but was paid by mistake.

### **SIGNIFICANT ISSUES**

SLO notes that the effective date is July 1, 2007 which raises the question whether recoupment/refunds will be allowed to go back six (6) years from that date or with royalty obligations accruing after the effective date. SLO interprets the new law to only apply to royalty obligations that become due after July 1, 2007. Further, SLO anticipates that the bill will also increase audit workload for reviews of additional royalty obligations to determine their correctness.

### **ADMINISTRATIVE IMPLICATIONS**

SLO suggests that programming modifications and testing of the ONGARD system will be required to comply with the new limits.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

SLO suggests that the two-year period to initiate refunds and recoupments will remain in effect.

BFW/csd