Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR	Senate Financ Committee	e ORIGINAL DATE LAST UPDATED	3-5-07	HB	
SHORT TITI	LE Erroneou	s Public Land Payment Refun	ds	SB	470/SFCS
			ANAL	YST	Woods

APPROPRIATION (dollars in thousands)

Appropr	iation	Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI	500.0	Recurring	State Land Maintenance

REVENUE (dollars in thousands)

	Recurring or Non-Rec	Fund Affected		
FY07	FY08	FY09		
NFI	(\$1,000)*	(\$1,000)*	Recurring	State Land Office Permanent

(Parenthesis () Indicate Expenditure Decreases)

*State Land Office Projections

SOURCES OF INFORMATION LFC Files

LFC Files

<u>Responses Received From</u> New Mexico State Land Office (SLO)

SUMMARY

Synopsis of Bill

Senate Finance Committee Substitute for Senate Bill 470, relating to public lands, seeks to address the issue of refunds for erroneous payments. The State Land Office (SLO) notes that the legislation seeks to amend 19-7-59 1.C which relates to the limit on erroneous payments that can be recouped without SLO approval, and would change the limit requiring SLO approval from \$25,000 to \$50,000.

Senate Bill 470/SFCS – Page 2

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