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FISCAL IMPACT REPORT

ORIGINAL DATE 03/05/13

SPONSOR Sharer LAST UPDATED _____ HB _____

SHORT TITLE Examine Transfer of Federal Lands to State SJM 53

ANALYST Chavez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY13 | FY14 | FY15 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|---------|------|----------------------|------------------------------|------------------|
| Total | | Unknown | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to HB 292 and SB 404

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Energy, Minerals, and Natural Resources Department (EMNRD)

Indian Affairs Department (IAD)

State Land Office (SLO)

SUMMARY

Synopsis of Bill

Senate Joint Memorial 53 (SJM 53) resolves that the New Mexico Legislative Council instruct the Legislative Finance Committee and appropriate interim committees formed to consider economic and rural development, Native American affairs or land grant issues to examine the idea of transferring federal lands to New Mexico. SJM 53 further resolves that the Commissioner of Public Lands be requested to actively pursue the transfer of one million acres of federal disposal lands to state management. Copies of the memorial would be transmitted to the co-chairs of the New Mexico Legislative Council and the Commissioner of Public Lands.

SIGNIFICANT ISSUES

The memorial notes that 52 percent of the present severance tax on New Mexico lands flows to the federal government, which is money that would flow to the state were federal lands turned over to state management. The total severance tax revenue received by New Mexico is \$227

million per year, whereas if New Mexico controlled the federal lands, the memorial states that there would be an additional \$729 million to fund New Mexico's schools.

However, agency analyses for HB 292 imply that the potential loss of revenue from federal management spending would have to be considered as well as the potential income from tax revenues if a federal land transfer to the states took place. For example, The State Land Office (SLO) and the Energy, Minerals, and Natural Resources Department (EMNRD) estimate approximately \$200 million in federal expenditures annually for the Bureau of Land Management (BLM) and Forest Service combined would end upon the transfer of lands to the state. Presumably, the task force will address these issues balanced against the potential projected revenue.

The memorial indicates that New Mexico has shown that it can manage its lands at an approximate cost of \$1 per acre, while the federal government manages its lands at a cost of \$4 per acre. The memorial also notes that federal lands have become an underused resource, resulting in a loss of economic development for the state and for New Mexico's local communities.

The SLO expresses a desire to maintain a strong working relationship with the federal government, stating that New Mexico and the federal government regularly work cooperatively together regarding many public land management issues, including exchanges of land that allow better management because of the different policy goals and capabilities of the respective agencies. As one example, the Commissioner of Public Lands and the U.S. Bureau of Land Management (BLM) are pursuing a land exchange in which BLM would acquire state trust land for purposes of habitat preservation and New Mexico will acquire land that can be used for oil and gas exploration and production. In considering the adoption of the proposed memorial and directing the work of interim committees and requesting action by the Commissioner of Public Lands, due consideration should be given to preserving the cooperative relationship that exists.

The EMNRD requests participation in the task force process, noting the study requested by SJM 53 could be informed by the expertise of agencies such as the SLO and EMNRD.

The Indian Affairs Department (IAD) indicates that there are issues regarding the federal government and its willingness and legal obligation to surrender its own land to the state of New Mexico. If under this joint memorial, it was determined that the federal government would surrender its rights and title to federal lands in New Mexico, there is a concern of constitutionality. In analysis for HB 292, the Administrative Office of the Courts (AOC) also addressed the question of constitutionality, noting that there may be constitutional issues relating to the federal-state relationship.

PERFORMANCE IMPLICATIONS

The IAD states that this joint memorial is vague as to examining the idea of transferring federal lands to New Mexico. It does not indicate how this can be done. It only states that the Legislative Finance Committee and appropriate interim committees have the opportunity to examine this issue.

The IAD further states that once it is decided what can be done to examine the idea of transferring the federal lands to New Mexico, there is still the concern of how the state can adequately managed the newly acquired land.

It is presumed that the task force will address these questions in their assessment.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 292 and SB 404, duplicate bills entitled The Transfer of Public Lands Act, which develops a mechanism for the transfer of federal public lands to the state. The bills also create the Public Lands Transfer Task Force.

TECHNICAL ISSUES

The Economic Development Department (EDD) points out that the proposed legislation does not address what uses the state has planned for the proposed transferred lands.

However, the EMNRD states that SJM 53 implies that the present severance tax and lease payments on New Mexico lands that presently go to the federal government would become available to fund New Mexico's schools if the lands were controlled by the state.

ALTERNATIVES

The SLO notes that if federal disposal lands are requested and transferred to the SLO, it would present an opportunity to designate that revenues from these lands be dedicated to funding early childhood education initiatives. This may present a reasonable alternative to attempting to increase the current distributions from the Land Grant Permanent Fund for this purpose. Accordingly, the SLO suggests the following substitution:

“WHEREAS, early childhood is the most important phase for overall development throughout a person's life span as 85 percent of the brain's architecture is set up in the first few years of life; and

WHEREAS, brain and biological development during the first years of life is highly influenced by environment, and early experiences determine health, education, economic and social participation for the rest of a person's life; and

WHEREAS, achievement gaps begin extremely early and persist, and science has shown that the achievement gap that exists between children in poverty and their more economically advantaged peers is evident as early as 18 months; and

WHEREAS, New Mexico has many at risk youth given that one in four children lives in poverty, New Mexico has the second highest teen birth rate in the nation, four in ten teens have not completed high school, and only one in four adults age 18-64 has a high school diploma or GED; and

WHEREAS, kids who start behind in school stay behind, this achievement gap grows over time, and to break the cycle of poor school outcomes and poverty, it is important to start when kids are very, very young; and

WHEREAS, the social and financial costs that New Mexico and the United States pay for the failed potential of children are enormous, and they are costs that could be ameliorated by adequate funding for early childhood services; and

WHEREAS, as New Mexico has faced financial crises and struggled to fund necessary public services, early childhood programs have been drastically reduced and, in some cases, eliminated, even though research and data show the cost-effectiveness of such programs, and the result of such cutbacks is a continued cycle of income, educational and social disparity; and

WHEREAS, in its report on early childhood, the world health organization notes that "globally, societies that invest in children and families in the early years — whether rich or poor — have the most literate and numerate populations. These are also the societies that have the best health status and lowest levels of health inequality in the world. Investing in young children is an essential component for the development of the New Mexico and nation economy. Early opportunities for learning increase the likelihood that a child will attend school and become an adult with higher income, better health, lower crime rates, and lower levels of welfare dependence than those who do not receive early development support; and

WHEREAS, in New Mexico all early childhood education programs combined receive less than 1 percent of the general fund budget while 60 percent of the state is budget is spent on education, and New Mexico children are not getting to school ready to learn; and

WHEREAS, long-term studies have shown that for every dollar the state invests in early childhood programs, it gets back approximately ten dollars over the life of the child, and because they improve academic outcomes, early childhood education programs improve workforce readiness and job productivity; and

WHEREAS, the state of New Mexico does not presently have sufficient resources to address these problems; and

WHEREAS, addressing these issues will reduce both the federal and state need to allocate future resources to remediate the lasting effects on these children's educational and life development; and

WHEREAS, the Secretary of Interior or the Secretary of Agriculture holds vast acreage within New Mexico, some of which has been identified as being suitable for disposal; and

WHEREAS, these disposal lands could be disposed of to the State of New Mexico and added to the New Mexico state land trust managed by the New Mexico State Land Office to be held in trust for the purpose of raising revenue to specifically support and fund early childhood education;

NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO that congress be requested to assess the feasibility of conveying Federal land located within the state of New Mexico, which are under the administrative jurisdiction of the Secretary of Interior or the Secretary of Agriculture and have been identified by the Federal government as being suitable for disposal, to the New Mexico State Land Office to be held in trust for the purpose of supporting early childhood education; and

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BE IT FURTHER RESOLVED that copies of this memorial be transmitted to the president of the United States, the speaker of the United States house of representatives, the president of the United States senate, the members of the New Mexico congressional delegation, the Secretary of Interior, and the Secretary of Agriculture.”

KC/svb