

**Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department**

February 2, 2026

Bill:

HENRC sub. for HB-80

Sponsor:

Representatives Mark B. Murphy, Debra M. Sariñana, Elaine Sena Cortez, Meredith A. Dixon, and Jonathan A. Henry

Short Title:

Oil & Gas Conservation Tax Act Changes

Description:

This bill amends Section 7-1-6.21 NMSA 1978 to change the distribution of net receipts of the oil and gas conservation tax (conservation tax) to the Oil and Gas Reclamation Fund (OGRF). The distribution currently depends on the tax rate imposed by Section 7-30-4 NMSA 1978. Currently if the price of oil goes below \$70 a barrel, the conservation tax rate is 0.19% and the distribution to the OGRF is 10.53% with the remainder to the General Fund (GF). If the price of oil goes above \$70 a barrel, the conservation tax rate is 0.24% and distribution to the OGRF is 19.7% with the remainder to the GF. This bill removes the link to the tax rate and instead calls for a distribution to the OGRF of: 50% in FY2028; 75% in FY2029; 100% in FY2030 to FY2037; and 50% in FY2038 and beyond. The bill adds that the oil and gas reclamation fund may be used to support statewide education on general energy and the sources and impacts of all energy-related emissions.

Effective Date, Applicability, and Contingency Language:

July 1, 2027

Taxation and Revenue Department Analyst:

Chen Xie and Lucinda Sydow

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	--	(46,500)	(76,500)	(108,700)	R	General Fund
--	--	46,500	76,500	108,700	R	OGRF

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact:

[Section 1] The Taxation and Revenue Department (Tax & Rev) applied the proposed changes for the distribution of the conservation tax to the Consensus Revenue Estimates Group's (CREG) December 2025 forecast for conservation tax. The percentage distribution to the OGRF will be reduced to 50% for FY2038 and beyond, outside the forecast period. Based on the CREG's September 2025 long-term forecast, the estimated revenue gain starting in FY2038 for the OGRF will be \$43 million with a corresponding loss to the GF of \$43 million. But this will represent a drop of approximately \$71 million from FY37 when the OGRF will have received a 100% distribution under this proposal.

Policy Issues:

[Sections 1-3] This proposal significantly increases the share of conservation tax revenues dedicated to the OGRF through FY2037. The phased increase in distributions to the OGRF presumably reflects an intent to address future and legacy reclamation liabilities. The fund supports the cost of plugging and remediating abandoned wells, thus conserving land for future use. Because this is a tax on oil and natural gas severance, creating the need for remediation, there is a relationship between the conservation tax and the proposed use

of the revenue. Instead of changing this OGRF fund distributions, better policy may be to allow the legislature to annually appropriate conservation tax revenue based on prioritization of all the state’s needs.

Oil and gas revenues are highly volatile and a major contributor to the GF; this redirection may reduce the state’s fiscal flexibility during economic downturns or periods of declining production. The conservation tax though is a small proportion of revenue to the GF. From the CREG’s December 2025 forecast, the conservation tax is only 0.7% of recurring GF revenue.

This proposal simplifies the current distribution of this tax revenue. Currently, Tax & Rev must adjust both the rate of the conservation tax if the price of oil goes above or below \$70 per barrel and then adjust the distribution percentages to the OGRF and the GF any time the tax rate changes. This proposal eliminates the system changes for the distribution under current statute but adds an administrative burden by implementing annual distribution changes over a period of a decade.

Technical Issues:

None.

Other Issues:

None.

Administrative & Compliance Impact:

[Section 1] Tax & Rev’s Administrative Services Division (ASD) will update the general ledger and revenue reporting. It is anticipated this work will take approximately 100 hours split between two FTE of a pay band eight and a pay band 10 at a cost of approximately \$6,800. Collaboration and input from the Department of Finance and Administration (DFA) is required as this will decrease General Fund revenue distributions.

Implementing this bill will have a low impact on Tax & Rev’s Information Technology Division (ITD), approximately 150 hours or 1 month for an estimated \$37,500 of contractual costs.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	\$6.8	--	\$6.8	NR	ASD – Staff workload
--	\$37.5	--	\$37.5	NR	ITD – Contractual costs

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).