

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HJR 2

49th Legislature, 2nd Session, 2010

Tracking Number: .180259.1

Short Title: Increase Land Grant Fund Distribution, CA

Sponsor(s): Representative Mimi Stewart and Others

Analyst: Peter B. van Moorsel

Date: February 1, 2010

Bill Summary:

HJR 2 proposes to amend Article 12, Section 7 of the constitution of New Mexico to effect a change in the distribution percentage paid to the beneficiaries of the Land Grant Permanent Fund (LGPF).

The resolution proposes to increase the distribution from the LGPF to 6.2 percent of the average of the year-end market values of the fund for the immediately preceding five years; and strike current provisions in the constitution regarding the distribution from the fund. (see "Background")

If HJR 2 passes, the amendment proposed by the resolution is to be submitted to the voters for their approval or rejection at the next general election or at any special election prior to that date that is called for that purpose.

Fiscal Impact:

The State Investment Council (SIC) estimates that if the distribution from the LGPF were to increase to 6.2 percent, the total FY 11 distribution from the fund to all beneficiaries would increase by approximately \$37.0 million. The table below compares the estimated current distributions from the LGPF for public schools to the distributions proposed in HJR 2, based on an 83.09 percent share of the annual distributions from the fund for public schools.

**PROJECTED DISTRIBUTIONS FOR PUBLIC SCHOOLS
A Comparison Based on Current Rates and the Projected Rate in HJR 2
(dollars in millions)**

Fiscal Year	Current Distribution Rates	Current Estimated Distributions*	HJR 2 Proposed Distribution Rate	HJR 2 Projected Distributions*	Increase in Distribution
2011	5.8%	\$445.28	6.2%	\$476.02	\$30.74
2012	5.8%	\$452.43	6.2%	\$483.67	\$31.24
2013	5.5%	\$428.58	6.2%	\$483.17	\$54.59
2014	5.5%	\$424.34	6.2%	\$478.35	\$54.01
2015	5.5%	\$450.10	6.2%	\$507.35	\$57.25
2016	5.5%	\$468.88	6.2%	\$528.54	\$59.66
2017	5.0%	\$444.12	6.2%	\$550.72	\$106.60
2018	5.0%	\$462.89	6.2%	\$573.99	\$111.10
2019	5.0%	\$482.34	6.2%	\$598.08	\$115.74
2020	5.0%	\$502.45	6.2%	\$623.01	\$120.56

*Based on 83.09 percent of total distributions (see table showing per-beneficiary share in "Background," below).

Background:

The last changes to Article 12, Section 7 occurred in September 2003, when voters approved a constitutional amendment to:

- effective upon voter approval, increase the annual distribution from the LGPF to the fund's beneficiaries (including public schools) from 4.7 percent to 5.0 percent of the average of the year-end market values of the fund for the immediately preceding five years;
- provide an additional 0.8 percent annual distribution from FY 05 to FY 12 (for a total distribution of 5.8 percent) and an additional 0.5 percent annual distribution from FY 13 to FY 16 (for a total distribution of 5.5 percent) to be used for education reform as provided by law;
- provide that the above additional distributions shall not be made in any fiscal year if the average of the year-end market values of the fund for the immediately preceding five calendar years is less than \$5.8 billion;
- authorize the Legislature, by a three-fifths' vote of the members of each house, to suspend any of the additional distributions; and
- revert the distribution to 5.0 percent in FY 17.

Prior to 1997, US congressional approval was required for any change to the way in which distributions were made from the LGPF. However, in 1997 Congress approved amendments to the federal *Enabling Act of 1910*, one of which specified that future distributions "shall be made as provided in Article 12, Section 7 of the Constitution of the State of New Mexico.

In its *2007 Annual Report*, the SIC provides the following history of the LGPF:

The United States transferred 13.4 million acres of Federal land to the Territory of New Mexico in anticipation of a grant of statehood. The *Fergusson Act of 1898* and the *Enabling Act of 1910* were the primary Federal legislative vehicles for the public land transfers. The Acts stipulate that such lands are to be held in trust for the benefit of the public schools and 19 other specifically identified state institutions. The Commissioner of Public Lands and the State Land Office are the trustees for the original 13.4 million acres of mineral resources and the remaining 8.75 million acres of surface land. The Commissioner of Public Lands leases the trust lands for mineral exploration and grazing rights and, under certain conditions, may also sell or exchange trust properties. A substantial portion of royalties and income from the sales of land are transferred to the LGPF and are then invested by the State Investment Office.

The following table illustrates the percentage ownership of the fund for all 20 beneficiaries based on FY 08 ownership (each acre of trust land is designated to a specific beneficiary, as is the revenue generated from that acre):

**FY 08 PER-BENEFICIARY SHARE OF THE TOTAL ANNUAL DISTRIBUTION
FROM THE LAND GRANT PERMANENT FUND**

Beneficiary	Percent	Beneficiary	Percent
Common (Public) Schools	83.09%	NM Boys School	0.01%
University of New Mexico	1.63%	NM Miners' Colfax Medical Center	1.07%
UNM Saine Lands	0.01%	Las Vegas Medical Center (NM State Hospital)	0.24%
NM State University	0.49%	NM State Penitentiary	2.00%
Western NM University	0.03%	NM School for the Deaf	2.07%
NM Highlands University	0.03%	NM School for the Blind and Visually Impaired	2.06%
Northern NM College	0.02%	Charitable, Penal, and Reform Institutions ¹	0.92%
Eastern NM University	0.09%	Water Reservoirs	1.15%
NM Institute of Mining and Technology	0.20%	Rio Grande Improvements	0.29%
NM Military Institute	3.43%	Public Buildings	1.17%

¹ Carrie Tingley Children's Hospital, Las Vegas Medical Center, Los Lunas Medical Center, NM Miners' Colfax Medical Center, NM State Penitentiary, NM Boys School, and the Youth Diagnostic and Development Center share equally in this distribution.

SOURCES: SIC and the State Land Office

Related Bills:

None as of February 1, 2010