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FISCAL IMPACT REPORT

SPONSOR Townsend/Scott LAST UPDATED _____
ORIGINAL DATE 03/03/23
SHORT TITLE Fiscal Year 2034 Budget Deficits BILL NUMBER House Memorial 72
ANALYST Hitzman

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Responses Received From
State Land Office (SLO)

No Response Received
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of House Memorial 72

House Memorial 72 (HM72) resolves that the Department of Finance and Administration shall conduct a study and report on potential budget deficits in FY34 resulting from decreased oil and gas revenue and estimates for revenue increases to balance the budget. The report, to be provided to each member of the Legislature by January 1, 2024, shall include predicted budget deficits, revenue estimates, and increases in alternative revenue or existing revenue sources needed to balance the state budget without oil and gas revenue.

FISCAL IMPLICATIONS

The costs of the bill will likely be limited to the cost of implementing the study and publishing the report, but DFA did not provide an estimate of the cost and it could likely be absorbed within the agency's existing operating budget.

SIGNIFICANT ISSUES

As noted by the State Land Office (SLO):

The Memorial expresses concerns that an expected decrease in the use of oil and gas in the coming years may cause a budget deficit for New Mexico because oil and gas revenues account for a significant portion of the state's revenue.

The New Mexico State Land Office's oil and gas royalty revenue (more than \$2 billion in FY22) goes into the Land Grant Permanent Fund (LGPF) and is distributed after investment by the State Investment Council (SIC) to beneficiaries based on a rolling 5-year average. This structure plays an important stabilizing roll in financing government services (SIC distributions help offset the General Funds required to fund certain agencies and initiatives). The LGPF was set up precisely to ensure revenue to the State after the decline of oil and gas, either after the exhaustion of hydrocarbon resources or the end of demand for hydrocarbons.

JH/al/ne