

*State of New Mexico*  
**LEGISLATURE**

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501



March 28, 2017 REVISED

TO: Tom Udall, Senator  
Martin Heinrich, Senator  
Michelle Lujan Grisham, Representative, 1<sup>st</sup> District  
Steve Pearce, Representative, 2<sup>nd</sup> District  
Ben Lujan, Representative, 3<sup>rd</sup> District

FROM: Representative Patricia A. Lundstrom, Chair, House Appropriations and Finance Committee  
Senator John Arthur Smith, Chair, Senate Finance Committee

Dear New Mexico Congressional Delegates,

It has come to our attention there is an approximate \$69,900,000.00 payment due New Mexico as a result of the \$145.6 million oil and gas lease sale made in Roswell, NM by the Bureau of Land Management in September 2016. It has further come to our attention this amount is not to be paid to the state of New Mexico until BLM resolves two protests and completes an environmental analysis. Should this delay extend beyond the close of the 2017 state fiscal year (June 30, 2017), it would have a significant, detrimental impact to the state's general fund reserves and could negatively impact New Mexico's bond ratings.

New Mexico's economy and the state's finances were substantially affected by plunging oil and gas prices during 2015 and 2016, requiring the state to enact legislative solvency measures in the 2016 and 2017 regular legislative sessions and in a special legislative session in 2016. Despite significant measures taken to reduce appropriations, sweep fund balances held by agencies across the state, and pass revenue increases, the state is projected to end its 2017 fiscal year, ending June 30, 2017, with its lowest general fund reserve level in more than 15 years.

Historically, New Mexico has maintained reserves near or above 10 percent of recurring appropriations in most years as a measure of fiscal prudence. In the last 15 years, ending reserves only fell below the 5 percent level once, in fiscal year 2016 as the state felt the impact of substantial revenue losses related to the oil and gas industry and indirect and induced economic impacts.

Delayed receipt of these funds would reduce projected fiscal year 2017 ending reserves to \$25.3 million, or 0.4 percent of appropriations. Due to the recent significant volatility in New Mexico's revenues and uncertainty regarding economic conditions, 0.4 percent reserves is an unacceptably slim margin. If economic conditions worsen or actions by the federal government reduce revenues to the state coffers, the state of New Mexico could end the fiscal year with negative reserves, which would violate the state constitution and could require extreme measures to avoid this result.

As representatives of the finance committees of the New Mexico Legislature, please convey to the U.S. Department of the Interior our concerns and the significant detrimental impact to the state of New Mexico that would be caused by delayed receipt of this lease sale payment. Our primary point of contact with the federal government related to this issue has been JulieAnn Serrano, lead land law examiner at the BLM New Mexico State Office, [jserrano@blm.gov](mailto:jserrano@blm.gov), 505-954-2149.



Patricia A. Lundstrom



John Arthur Smith