

STATE AND LOCAL REVENUE FROM OIL AND GAS PRODUCTION ON FEDERAL LANDS IN NEW MEXICO

SUMMARY:

- Total state and local revenue from federal lands oil and gas production was \$2.0 billion in FY20.
- Local revenue was \$163 million: about 75 percent due to Ad Valorem Taxes and the remainder due to Gross Receipts Tax.
- State revenue was \$1.8 billion, including \$1.5 billion to the General Fund and \$333 million to the Severance Tax Bonding Fund and other funds.
- General Fund revenue includes \$1.4 billion to the operating budget and \$87 million to reserves. The \$1.4 billion of operating revenue comprised 18% of the total.
- The main components of General Fund revenue were \$809 million of royalties and other payments from federal leases; \$205 million of Oil and Gas School Tax and \$179 million of Gross Receipts Tax.
- FY21 revenue from the oil and gas industry is forecast to decrease due to reduced drilling and production. Applying the same methodology as used in the FY20 estimates yields an estimate of \$1.2 billion of General Fund recurring revenue from federal lands production activity in FY21.
- These revenue estimates do not include “multiplier” effects of the industry, nor do they include downstream activities like natural gas distribution. Thus, these estimates are conservative in the sense that they likely understate the full revenue impacts of the industry.

PRODUCTION AND SALES REVENUE:

Table 1 presents results from Taxation and Revenue Department’s (TRD) Gentax system for FY20 showing the share of production, sales value and taxable value from federal lands.

Table 1: Federal Lands Share of Production, Sales Value and Taxable Value: FY20

	Volume	Value	Taxable Value
Oil	52.7%	52.2%	51.7%
Gas	59.4%	60.7%	59.8%
Total	NA	53.5%	52.6%

STATE AND LOCAL REVENUE:

Tables 2 and 3 present estimates from the NM Tax Research Institute (NMTRI) on the state and local revenue attributable to the oil and gas industry in FY20. Estimates are derived from various reports from TRD, the State Land Office, the State Investment Council, the Department of Finance and Administration and the Legislative Finance Committee. For more information on the data sources and methods see annual reports by the New Mexico Tax Research Institute.

The federal land share of revenue was estimated using the following specific assumptions:

- 100% of Federal leasing royalties are attributed to federal lands activity;
- None of the royalties and other payments from production on state lands are included;
- The federal lands share of other taxes is estimated as 52.6% using the federal lands share of taxable value reported in the Gentax system.

Table 2: FY20 State and Local Revenue from the Oil and Gas Industry

	Total O&G Revenue	Share from Federal Lands
State General Fund Taxes*	\$1,129.4	\$594.1
State General Fund Royalties, Bonuses, etc.	\$825.9	\$808.9
State General Fund Investment Earnings	\$846.4	\$102.6
Subtotal State General Fund	\$2,801.7	\$1,505.6
Other State Taxes	\$634.7	\$333.8
Local Taxes	\$309.4	\$162.7
Other Fund Royalties, Rentals, etc.	\$861.6	\$0.0
Other Funds Investment Earnings	\$110.8	\$0.0
Grand Total	\$4,718.2	\$2,002.2

Table 3: FY20 General Fund Revenue Attributable to Oil & Gas Production from Federal Lands

Revenue type	Total General Fund Revenue	Oil and Gas Revenue	
		Total Amount	Federal Lands Share
Gross Receipts Tax	\$2,942.1	\$341.0	\$179.4
Compensating Tax	\$63.6	\$14.2	\$7.5
Personal Income Tax	\$1,691.9	\$166.0	\$87.3
Corporate Income Tax	\$63.2	\$8.2	\$4.3
Oil & Gas School Tax	\$389.6	\$389.6	\$204.9
O&G Conservation Tax	\$29.5	\$29.5	\$15.5
Natural Gas Processors Tax	\$14.8	\$14.8	\$7.8
Land Grant Perm. Fund Income	\$673.5	\$651.3	\$0.0
Sev Tax Perm. Fund Income	\$225.3	\$195.1	\$102.6
Federal Mineral Leasing	\$817.1	\$808.9	\$808.9
Land Office Income	\$69.9	\$17.0	\$0.0
All Other	\$879.3	\$0.0	\$0.0
Total Recurring Revenues	\$7,859.8	\$2,635.6	\$1,418.3
O&G School Tax to Reserves	\$166.1	166.1	\$87.4
Total General Fund<1>	\$8,025.9	\$2,801.7	\$1,505.6

<1> Excludes non-recurring revenue and fund transfers.

Outlook for FY21:

The Consensus Revenue Estimating Group estimates that revenue from oil and gas operations will decline significantly in FY21. Applying the same methodology as the FY20 NMTRI study, an extrapolation from the industry’s performance in the first quarter of FY21 yields an estimate of General Fund revenue from oil and gas production on federal lands of approximately \$1.2 billion in FY21, or 17% of total General Fund recurring revenue of \$7.0 billion.

GENERAL FUND SPENDING BY FUNCTION

Table 4 shows the categories of FY20 General Fund spending and the share of each supported by revenue from the oil and gas industry and the share from oil and gas produced on federal lands. \$1.3 billion of recurring spending and \$1.4 billion of total spending were supported by federal lands oil and gas production. The spending amounts attributed to federal lands production are estimated by applying the share of revenue attributable to that production.

Table 4: FY20 General Fund Spending by Function Supported by Revenue from the Oil and Gas Industry and by Oil and Gas from Federal Lands

(Million dollars)

Function	Total General Fund	O&G Funded	
		Total	Federal Lands
		33.5%	18.0%
Recurring Appropriations:			
Legislative	\$23.2	\$7.8	\$4.2
Judicial	\$318.8	\$106.8	\$57.4
General Control	\$147.5	\$49.4	\$26.6
Commerce and Industry	\$67.6	\$22.7	\$12.2
Natural Resources	\$75.6	\$25.3	\$13.6
Health and Human Services	\$1,911.6	\$640.4	\$344.1
Public Safety	\$468.7	\$157.0	\$84.4
Other Education	\$40.5	\$13.6	\$7.3
Higher Education	\$867.0	\$290.5	\$156.1
Public Education	\$3,171.7	\$1,062.5	\$570.9
Sub-Total Recurring	\$7,092.3	\$2,375.9	\$1,276.6
Nonrecurring Appropriations	\$571.8	\$191.6	\$102.9
Total GF Spending	\$7,664.1	\$2,567.5	\$1,379.5