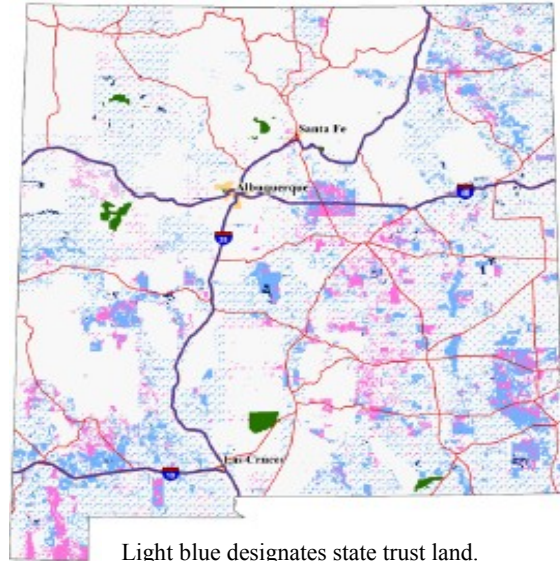


# New Mexico Trust Lands & Education Funding

As new states entered the union, Congress made land grants to those states to provide support for a variety of public institutions, principally public schools. These lands were accepted through ratification of state constitutions that contained provisions guiding the state's management of these lands. Unlike public lands, state trust lands are held in trust by the state for designated beneficiaries. As trustees, state land managers have a fiduciary duty to manage the lands for the benefit of the beneficiaries of the trust grant. They lease and sell these lands for a diverse range of uses to meet that responsibility – generating revenue for the designated beneficiaries, today and for future generations.

There are approximately 9 million surface acres and 13 million mineral acres of trust land in New Mexico.<sup>1</sup> Surface acres include land that is managed for grazing, agricultural, open space, and commercial and residential development uses. The mineral acres include underground areas that contain large deposits of oil, natural gas, and minerals. Most of the trust lands in New Mexico are scattered throughout the state in a checkerboard pattern, however, there are a few, large contiguous parcels.

## State Trust Lands in New Mexico



Light blue designates state trust land.

*Due to sale activities for given trust lands, maps may not reflect the most current holdings of a given state trust land agency.*

Map: Sonoran Institute

## How are trust lands in New Mexico managed?



Photo: Emily Kelly

Trust lands in New Mexico are managed by the Commissioner of Public Lands, who is one of the statewide elected officials, and directs the New Mexico State Land Office.

The mission of the New Mexico State Land Office is:

*Recognizing that education is the key to prosperity and that it provides opportunity for an improved quality of life, we are dedicated to generating sustainable revenues from state trust lands to support our public education institutions. We strive to build partnerships with all New Mexicans to conserve, protect and maintain the highest level of stewardship for state trust lands, an ever-lasting legacy for generations to come.<sup>2</sup>*

The New Mexico State Land Office's management principles, or "ABC's," include a requirement that the agency:

- A** Administer state trust lands to generate the highest possible level of sustainable revenue for New Mexico's public schools, public institutions of higher learning, and other public institutions so that all New Mexicans can enjoy a higher quality of life.
- B** Benefit the trust and its natural resources through responsible stewardship which creates a strong economic environment that will contribute to healthy rural and urban communities so that future generations will continue to benefit from their endowment.
- C** Conduct the operations of the State Land Office with the highest level of fiscal accountability, efficiency, customer service and employee relations."<sup>3</sup>

The SLO is responsible for the management, lease and sale of trust lands, the receipt of revenues from trust land activities, and the subsequent transfer of these funds to the State Treasurer.<sup>4</sup>

## Who are the beneficiaries of trust lands in New Mexico?

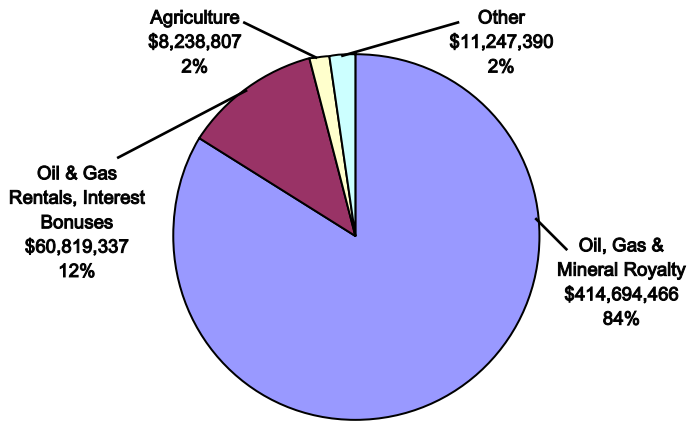
Revenues generated from New Mexico's trust lands are deposited into 21 trust accounts that provide support for the respective beneficiary. Each acre is designated to a specific beneficiary and the revenue generated from each acre is paid to the corresponding beneficiary.

Public schools are the designee of just over 73% of the trust land in New Mexico and receive 83% of the revenue generated by state trust land in the state.

**New Mexico Trust Land Beneficiary Funds and Acreage Dedicated to Each<sup>5</sup>**

<b>Fund</b>	<b>Beneficiary</b>	<b>Surface Acres in Fund</b>	<b>% Acres</b>
Capitol Buildings	Capitol Buildings	88,701	0.9%
Charitable, Penal and Reform Institutions (fund is divided equally between the beneficiaries)	Carrie Tingley Hospital Las Vegas Medical Center Los Lunas Hospital Miners' Colfax Medical Center Penitentiary of New Mexico New Mexico Boys' School Youth Diagnostic and Development Center	79,148	0.8%
Carrie Tingley Hospital	Carrie Tingley Hospital (children's hospital)	7,940	0.1%
Common Schools	Public Schools (K-12)	7,042,767	73.1%
Eastern New Mexico	Eastern NM University in Portales	88,979	0.9%
Water Reservoirs	Irrigation Works Construction Fund	346,029	3.6%
New Mexico State Hospital	Las Vegas Medical Center (State psychiatric hospital)	122,607	1.3%
Miners' Hospital of New Mexico	Miners' Colfax Medical Center	100,931	1.1%
New Mexico Boy's School	New Mexico Boys' School	50,935	0.5%
New Mexico Highlands University	New Mexico Highlands University	190,993	2.0%
New Mexico Military Institute	New Mexico Military Institute	140,099	1.5%
New Mexico School for the Deaf	New Mexico School for the Deaf	129,626	1.3%
New Mexico State University	New Mexico State University	200,696	2.1%
New Mexico School for the Visually Handicapped	New Mexico School for the Visually Handicapped	143,870	1.5%
New Mexico Tech	New Mexico Institute of Mining and Technology	163,641	1.7%
Northern New Mexico Community College	Northern New Mexico Community College	96,162	1.0%
Penitentiary of New Mexico	Penitentiary Fund	126,194	1.3%
Rio Grande Improvement	Rio Grande Improvement	58,261	0.6%
Saline Lands	University of New Mexico	1,044	0.0%
University of New Mexico	University of New Mexico	260,814	2.7%
Western New Mexico University	Western New Mexico University	190,993	2.0%
	Total	9,630,589	100.0%

## How are revenues generated from trust lands?



New Mexico trust land managers generate revenue from these lands in a number of ways, primarily from oil and gas but also including grazing leases, and real estate leases. The three largest sources of revenues from trust lands in fiscal year 2006 were from oil and gas royalties, rentals, interest and bonuses; agricultural leases; and commercial, industrial and residential development.<sup>6</sup>

The largest source of income for the beneficiaries comes from oil and gas royalties.<sup>8</sup>

Revenue Streams from New Mexico Trust Lands for All Beneficiaries Combined, FY 2006<sup>7</sup>

## How does the revenue get to the beneficiaries?

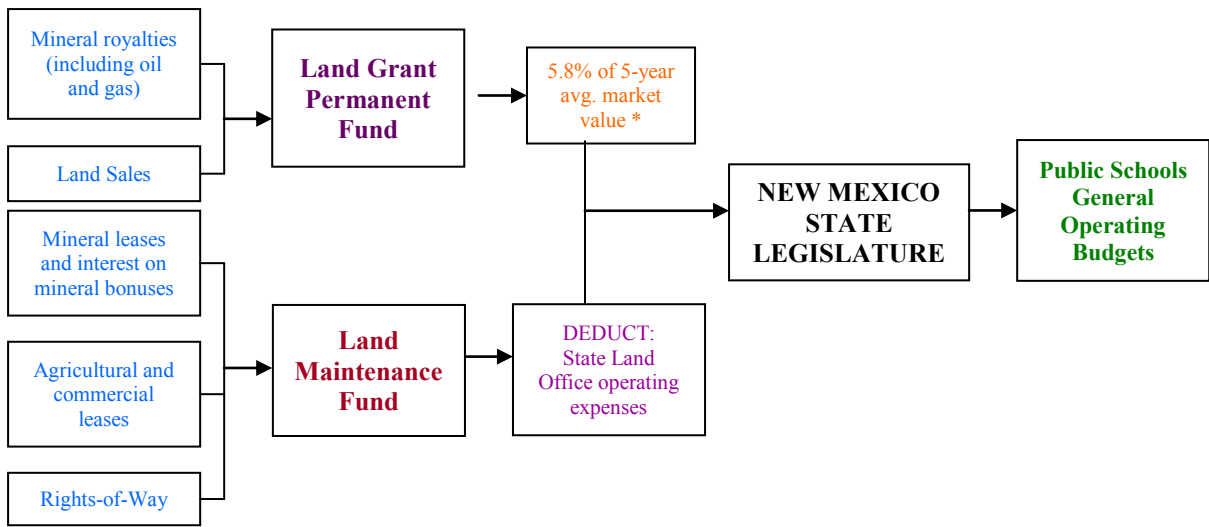
Each year, revenues generated from trust land uses are deposited into the given beneficiary group's Land Grant Permanent Fund or Land Maintenance Fund. Revenues from non-renewable sources, such as land sales and oil and gas royalties are deposited in the Land Grant Permanent Fund. Revenues from renewable sources, such as agricultural leases, commercial leases, oil and gas rentals, rights-of-way, and the interest on earnings and bonuses are deposited into the Land Office's Land Maintenance Fund. In FY 2006, New Mexico trust lands generated approximately \$495 million.<sup>9</sup>

Land Office earnings are deposited with the State Treasurer. The State Investment Officer invests the money under the supervision of the State Investment Council.<sup>10</sup> All trust land beneficiaries in New Mexico receive a fixed distribution of 5.8 percent of the five-year average market value of the Land Grant Permanent Fund. The FY 2006 distribution to public schools was \$407 million, most of which was derived from investment income from the \$10 billion School Land Grant Permanent Fund.<sup>11</sup>

However, as a result of a change in the New Mexico Constitution, beneficiaries receive an additional 0.8% of the five-year average market value of the Land Grant Permanent Fund from fiscal years 2005 through 2012, and an additional 0.05% for fiscal years 2013 through 2016. For public schools, the increased distribution was intended to provide funding for school reform. The increase is only allowed as long as the five-year average value of the Land Grant Permanent Fund stays above \$5.8 billion.<sup>12</sup> This increased distribution above 5% tipped the balance between the benefits for current and future beneficiaries.

The balance of the Land Maintenance Fund, minus the State Land Office's operating expenses, is also available for legislative appropriation and distribution to the beneficiaries.<sup>13</sup> The State Treasurer distributes Land Grant Permanent Fund and Land Maintenance Fund contributions to the general operating budgets of individual beneficiaries according to legislative appropriation.

### Common School Trust Funding Chart (2004-2012)<sup>14</sup>

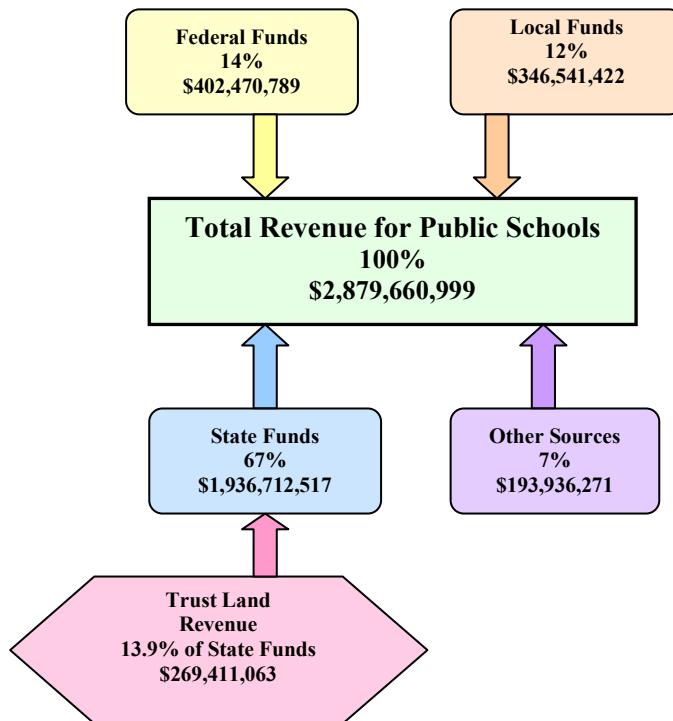


\* This amount will increase by 0.8% from FY 2005- FY 2012 and then 0.05% from FY 2013 – FY 2016.

Public schools in New Mexico receive funding from a combination of federal, state and local funds. State funding provides more than half (67%) of total education funding, and of the state’s portion, trust land revenues make up approximately 13.9% of that amount, making it a significant source of state funding for public schools.

### FY 2003 Public School Funding Source Diagram<sup>15</sup>

#### Local and Intermediate Funds



In FY 2006, over \$493 million from the trust went to support the beneficiaries, with public schools receiving nearly \$407 million.<sup>16</sup> The New Mexico State Legislature uses trust land investment income and renewable resource revenue to offset the revenue that the state must provide for the beneficiaries, including public schools. The distribution from the Permanent Fund is relatively consistent due to the five-year moving average rule. The fairly constant nature of the distributions allows the legislature and the beneficiaries the ability to plan their budgets fairly accurately and to avoid years of large shortfalls in the budgets.



Photo: Emily Kelly

## Sources:

<sup>1</sup> New Mexico State Land Office webpage, <http://www.nmstatelands.org/GetPage.aspx?sectionID=18&PagID=97>.

<sup>2</sup> New Mexico State Land Office Annual Report 2004.

<sup>3</sup> Ibid.

<sup>4</sup> New Mexico Statutes Annotated § 19-1-6 and 19-1-2.

<sup>5</sup> New Mexico State Land Office webpage, <http://www.nmstatelands.org/GetPage.aspx?sectionID=18&PagID=97>.

<sup>6</sup> New Mexico State Land Office Annual Report FY2006.

<sup>7</sup> Ibid.

<sup>8</sup> New Mexico State Land Office Annual Reports for FY 1999-2006.

<sup>9</sup> New Mexico State Land Office Annual Report FY2006.

<sup>10</sup> New Mexico Constitution, Article XII § 7, and New Mexico Statutes Annotated §19-1-18 and §19-1-2.

<sup>11</sup> New Mexico State Land Office Annual Report FY2006.

<sup>12</sup> New Mexico Constitution, Article XII § 7, and New Mexico Statutes Annotated §19-1-18 and §19-1-2.

<sup>13</sup> In FY2004, the New Mexico State Land Office's operating expenses were 4% of the Land Maintenance Fund.

<sup>14</sup> New Mexico State Land Office Annual Report 2004.

<sup>15</sup> FY 2003 data from National Center for Education Statistics (NCES) with the exception of the Trust Land Revenue data which comes from the New Mexico State Land Office FY 2003 Annual Report. "Other Sources" is defined as "Revenue from bond principal and premiums, sale of school property, or compensation from loss of fixed assets." NCES Database, Glossary, <http://nces.ed.gov/ccd/bat/Glossary.Asp?letter=O>.

<sup>16</sup> New Mexico State Land Office Annual Report FY2006.

This report was prepared by the Sonoran Institute/Lincoln Institute of Land Policy Joint Venture and Children's Land Alliance Supporting Schools (CLASS). Thanks to Wendine Thompson-Dawson and Alden Boetsch for their research and writing efforts.

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