New Mexico Can Diversify Revenues From State Trust Lands Beyond Oil & Gas Leases

Headwaters Economics report identifies four land management activities that can help guarantee and diversify future revenue from the state’s trust lands, providing stable and continued funding for public education and other beneficiaries.

BOZEMAN, Mont, September 14, 2021 - A new analysis from Headwaters Economics, an independent, nonpartisan research group, identifies four land management activities beyond oil and gas leasing on New Mexico’s state trust lands that can generate revenues as the state’s economy continues to diversify and grow.

The State Land Office (SLO) has already guaranteed public schools and other state institutions stable and perpetual funding from the Land Grant Permanent Fund (LGPF). Prudent fiscal management has grown New Mexico’s LGPF to an impressive $23 billion, mainly with revenues from oil and gas leases on state trust lands. Disbursements from the LGPF have offset the need to direct other tax revenue to support schools and other beneficiaries, but state leaders have become concerned that volatility in fossil fuel markets may slow expansion of this important fund. Headwaters Economics coordinated with the State Land Office (SLO), other agencies, and public land management experts to report on options that can help diversify revenues from state trust lands and secure the continued success of the LGPF.

The report, titled “Diversifying Revenue On New Mexico’s State Trust Lands,” demonstrates that the New Mexico SLO is well-positioned to innovate in ways that generate revenue while advancing the state’s rural economic development goals. It identifies four land management activities where new investments can lead to additional revenues:

- **Renewable energy**: Expanded renewable energy generation, transmission, and storage on state trust lands is already a priority at the SLO, but can be expanded;
- **Commercial development**: Revenues from growing sectors such as space technology, renewable energy manufacturing, and film and media could be significant, particularly where trust lands have high real estate and development potential;
- **Outdoor recreation**: Enhanced recreation opportunities and access could build on the substantial role this sector already plays in New Mexico’s economy; and
- **Conservation**: State lands contain significant ecological and cultural values, and tools to evaluate and monetize conservation activities can be an important part of revenue diversification efforts.

In addition to these new activities, the report identifies several fiscal and management strategies, as well as new staffing capacities at the SLO, that will be required to fully take advantage of the potential behind revenue diversification efforts. Those strategies include strategic planning, pursuing active revenue models at the SLO, taking a portfolio management approach to optimize revenue, and expanding partnerships.
The report also includes recommendations to better steward the existing oil and gas resources.

“The Land Grant Permanent Fund is a highlight of New Mexico’s public lands policy, and now the state has a unique opportunity to ensure it can continue to provide durable and predictable funding to beneficiaries like public schools.” said Mark Haggerty, the report’s lead author and Economic Geographer at Headwaters Economics at the time of the report’s writing. “The permanent fund safeguards school funding from unanticipated disruptions and provides flexibility to diversify revenues--and the state's economy--beyond fossil fuels.”

“Diversifying Revenue On New Mexico’s State Trust Lands” is available at: https://headwaterseconomics.org/tax-policy/new-mexico-state-land

Contact
Mark Haggerty, Lead Author: 406.570.5626, mhaggerty@americanprogress.org
Kelly Pohl, Associate Director, Headwaters Economics: 406.599.7841, kelly@headwaterseconomics.org

About Headwaters Economics
Headwaters Economics is an independent, nonprofit research group whose mission is to improve community development and land management decisions. https://headwaterseconomics.org/