

Heinrich bill supports states' shift to sustainable revenue sources

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Oil and gas have greased the wheels of New Mexico's economy for several decades, but U.S. Sen. Martin Heinrich is planning for the day when the industry is not a central player in the state's budget.

In a move designed to provide governments with a path away from their reliance on federal mineral revenues, Heinrich plans to introduce a revenue replacement bill next week. The proposed Schools and State Budgets Certainty Act "would provide a predictable transition for states, counties, and tribes and give those governments time to transition their budgets to more sustainable and reliable sources of revenue," according to Heinrich's office.

"The bill sets a baseline mineral revenue amount for each fiscal year based on a historical average of federal mineral revenue, declining by 5 percent each year," a news release states. "If the regular mineral revenue payment to a state, county, or tribe would fall below the baseline amount for that year, an 'energy transition payment' would be provided to make up the difference between the actual mineral payment and the calculated baseline."

The proposal would have significant implications as the country moves toward an economy and energy production sector that relies less on oil and natural gas. In that transition, energy-producing states like New Mexico face huge financial implications. Roughly 40 percent of the state government budget comes from revenue generated by the oil and gas industry, a large portion of which funds public education.

In a statement, Gov. Michelle Lujan Grisham said Heinrich's proposal is the right kind of approach for New Mexico and other Western states with vast federal lands.

"This legislation would establish the kind of support we need to ensure our state revenues are protected as we continue to implement the important work of diversifying and expanding New Mexico's economy," she said. "I look forward to working with the senator and all of New Mexico's delegation to get this proposal across the federal finish line."

The state in recent years has seen its budget ebb and flow on the fortunes of oil and gas. When prices are low, as they were in the middle part of the past decade, much of the state budget and public education faced significant cuts. As fortunes improved, money again flowed into the public school budget, allowing Lujan Grisham to pin the early days of her administration on a "moonshot" that would improve educational outcomes.

James Jimenez, a former state Cabinet secretary who now serves as executive director of New Mexico Voices for Children, called the legislation "hugely important" and "vital for public schools."

"I think it's pretty far-sighted in terms of knowing where we are today, knowing the public policies that are being proposed and talked about publicly and knowing where we need to get because of climate change," he said.

Jimenez, who also served as chief of staff under former Gov. Bill Richardson, said it's inevitable New Mexico will become less reliant on the oil and natural gas industry.

"I think what the senator is trying to do is say, 'This looks very real to us, and we need to be ... very cognizant and plan,' " Jimenez said. "The nice thing about this legislation is that if it doesn't happen in quite the way that it is expected, the legislation is flexible enough to accommodate that also."

State Rep. Javier Martínez, D-Albuquerque, said “it’s a fact” New Mexico and the rest of the world have to transition away from fossil fuels.

“Climate change is very real, and it is an existential threat to all of us,” he said.

At the same time, Martínez said, the state relies heavily on oil and gas revenues.

“I think what the senator is going to be proposing really provides us with a thoughtful revenue bridge, if you will, as that transition happens,” he said. “What happens to state revenues? What happens to funding for schools, funding for infrastructure? And I think that the senator’s plan really provides us with that alternative.”

Martínez, chairman of the House Taxation and Revenue Committee, said “the elephant in the room has always been how” the state would replace the huge percent of revenue generated by the oil and natural gas industry.

“This plan, while it’s still a little early — we don’t know exactly how it’s going to shake out — but this is the first time I hear a federal leader come to the table and say, ‘Here’s an alternative. Here’s how we can get this done,’ ” he said.

“We cannot be blind to the tremendous impact that that transition will have on our budget — it’s a real thing,” Martínez added. “But I think that this proposal really does propose that bridge as we go from fossil fuels to a renewable energy economy.”

Heinrich, a member of the Senate Energy and Natural Resources Committee, is scheduled to formally announce the energy transition legislation during a conference call with reporters Thursday.

“The global energy landscape is undergoing a massive transformation, and states like New Mexico need to be ready,” Heinrich said in a statement provided to *The New Mexican*.

“The Schools and State Budgets Certainty Act will provide a predictable glide path for state, county, and Tribal governments to move away from their current dependence on federal fossil fuel revenues and allow a managed transition to more reliable sources of funding,” he added. “If we make the right choices now and invest in new growth opportunities, we can put New Mexico and our energy veterans who have long worked to power our country in the best possible position to thrive.”

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