

City of Santa Fe, New Mexico

LEGISLATIVE SUMMARY

Resolution No. 2015-____ Oil and Gas Royalty Rate

SPONSOR(S): Councilor Ives

SUMMARY: The proposed resolution proclaims support for the Bureau of Land Management (BLM) increasing the federal royalty rate for oil and gas extraction currently set at 12.5%. Copies of the resolution will be sent to the Secretary of Interior and the Director of the BLM.

PREPARED BY: Jesse Guillen, Legislative Liaison

FISCAL IMPACT: No

DATE: October 6, 2015

ATTACHMENTS: Resolution
FIR

1 CITY OF SANTA FE, NEW MEXICO

2 RESOLUTION NO. 2015-__

3 INTRODUCED BY:

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5 Councilor Peter Ives

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10 A RESOLUTION

11 IN SUPPORT OF INCREASING THE FEDERAL ROYALTY RATE FOR OIL AND GAS
12 PRODUCED ON FEDERAL PUBLIC LANDS; DIRECTING STAFF TO SEND COPIES
13 OF THE RESOLUTION TO THE DEPARTMENT OF INTERIOR AND BUREAU OF
14 LAND MANAGEMENT.

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16 WHEREAS, the Bureau of Land Management is responsible for ensuring that
17 American taxpayers receive a fair return for oil and gas developed on federal public lands; and

18 WHEREAS, oil and gas production has reached record levels while antiquated federal
19 royalty rates have been permitted to lag behind the rates charged by Western states; and

20 WHEREAS, the Bureau of Land Management currently charges a royalty rate of only
21 12.5% for oil and gas produced on federal lands, while New Mexico charges up to 18.75% for oil
22 and gas produced on state lands; and

23 WHEREAS, the federal royalty rate has not been increased in nearly a century;

24 WHEREAS, the Department of Interior and Bureau of Land Management have been
25 discussing a possible increase in the royalty rate for years; and

1 **WHEREAS,** the Government Accountability Office has repeatedly called on the
2 Department of Interior to increase onshore oil and gas royalty rates; and

3 **WHEREAS,** New Mexico receives approximately half of the royalties generated by
4 energy produced on federal public lands within the state; and

5 **WHEREAS,** New Mexico is a major oil and gas producer, and received over \$546
6 million in federal royalties for FY2014; and

7 **WHEREAS,** independent analysis shows that the failure of the federal government
8 over time to modernize the royalty structure has resulted in the loss of hundreds of millions of
9 dollars in revenue for New Mexico; and

10 **WHEREAS,** the vast majority of federal royalties returned to New Mexico go to the
11 Public School Fund, and an increased royalty rate will provide critical funds that will benefit
12 students in our community and across the state; and

13 **WHEREAS,** increasing the federal royalty rate will ensure a fair share of revenue to
14 New Mexico taxpayers.

15 **NOW THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE**
16 **CITY OF SANTA FE** that the Bureau of Land Management is respectfully requested to move
17 forward with updating the regulations governing the royalty charged for oil and gas produced on
18 federal public lands to ensure a fair share for taxpayers.

19 **BE IT FURTHER RESOLVED** that a copy of this resolution be transmitted to the
20 Secretary of the Department of the Interior and the Director of the Bureau of Land Management.

21 PASSED, APPROVED AND ADOPTED this ____ day of _____, 2015.

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23 _____
24 JAVIER M. GONZALES, MAYOR
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1 ATTEST:

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4 YOLANDA Y. VIGIL, CITY CLERK

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6 APPROVED AS TO FORM:

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Kelley A. Brennan

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9 KELLEY A. BRENNAN, CITY ATTORNEY

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25 *M/Legislation/Resolutions 2015/Oil and Gas Royalty Rate*

City of Santa Fe Fiscal Impact Report (FIR)

This Fiscal Impact Report (FIR) shall be completed for each proposed bill or resolution as to its direct impact upon the City's operating budget and is intended for use by any of the standing committees of and the Governing Body of the City of Santa Fe. Bills or resolutions with no fiscal impact still require a completed FIR. Bills or resolutions with a fiscal impact must be reviewed by the Finance Committee. Bills or resolutions without a fiscal impact generally do not require review by the Finance Committee unless the subject of the bill or resolution is financial in nature.

Section A. General Information

(Check) Bill: _____ Resolution: X

(A single FIR may be used for related bills and/or resolutions)

Short Title(s): **A RESOLUTION IN SUPPORT OF INCREASING THE FEDERAL ROYALTY RATE FOR OIL AND GAS PRODUCED ON FEDERAL PUBLIC LANDS; DIRECTING STAFF O SEND COPIES OF THE RESOLUTION THE DEPARTMENT OF THE INTERIOR AND THE BUREAU OF LAND MANAGEMENT.**

Sponsor(s): Councilor Ives

Reviewing Department(s): Legislative Services

Persons Completing FIR: Jesse Gillen Date: 10/6/15 Phone: 955-6518

Reviewed by City Attorney: *Kelly A. Brennan* Date: 10/6/15
(Signature)

Reviewed by Finance Director: *J. [Signature]* Date: 10-7-2015
(Signature)

Section B. Summary

Briefly explain the purpose and major provisions of the bill/resolution:

This resolution requests that the Bureau of Land Management (BLM) move forward with increasing the federal royalty rate charged for oil and gas produced on federal land. It currently stands at 12.5%, while the state charges up to an 18.75% royalty rate. Staff shall send copies of the approved resolution to the Department of the Interior and the BLM.

Section C. Fiscal Impact

Note: Financial information on this FIR does not directly translate into a City of Santa Fe budget increase. For a budget increase, the following are required:

- a. The item must be on the agenda at the Finance Committee and City Council as a "Request for Approval of a City of Santa Fe Budget Increase" with a definitive funding source (could be same item and same time as bill/resolution)
- b. Detailed budget information must be attached as to fund, business units, and line item, amounts, and explanations (similar to annual requests for budget)
- c. Detailed personnel forms must be attached as to range, salary, and benefit allocation and signed by Human Resource Department for each new position(s) requested (prorated for period to be employed by fiscal year)*

1. Projected Expenditures:

- a. Indicate Fiscal Year(s) affected – usually current fiscal year and following fiscal year (i.e., FY 03/04 and FY 04/05)
- b. Indicate: "A" if current budget and level of staffing will absorb the costs
"N" if new, additional, or increased budget or staffing will be required
- c. Indicate: "R" – if recurring annual costs
"NR" if one-time, non-recurring costs, such as start-up, contract or equipment costs
- d. Attach additional projection schedules if two years does not adequately project revenue and cost patterns
- e. Costs may be netted or shown as an offset if some cost savings are projected (explain in Section 3 Narrative)

Finance Director: _____

X Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Fringe**	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Professional Services	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
All Other Operating Costs	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Total:	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____

* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. **For fringe benefits contact the Finance Dept.

2. Revenue Sources:

- a. To indicate new revenues and/or
- b. Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY _____	"R" Costs Recurring or "NR" Non-recurring	FY _____	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
Total:	\$ _____	_____	\$ _____	_____	_____	_____

3. Expenditure/Revenue Narrative:

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

None.

Section D. General Narrative

1. Conflicts: Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

None.

2. Consequences of Not Enacting This Bill/Resolution:

Are there consequences of not enacting this bill/resolution? If so, describe.

The BLM will not receive a resolution in support of raising the royalty rate from the City of Santa Fe.

3. Technical Issues:

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

None.

4. Community Impact:

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

Oil and gas that is extracted from federal lands is currently subject to a 12.5% royalty rate, a level that has not increased in nearly 100 years. New Mexico receives roughly half of the proceeds from this royalty, in addition to the 18.75% rate the state charges. New Mexico received ~\$546 million in federal royalties in FY2014, most of which goes to the Public School Fund. While Santa Fe would not benefit directly from an increase, the additional revenue would end up funding public schools in and around Santa Fe, and would provide additional fiscal benefits.
