

HEARING ON H.R. 1051, NEW MEXICO STATE-  
HOOD AND ENABLING ACT AMENDMENTS OF  
1997

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON NATIONAL PARKS AND PUBLIC  
LANDS  
OF THE  
COMMITTEE ON RESOURCES  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FIFTH CONGRESS  
FIRST SESSION

JUNE 17, 1997—WASHINGTON, DC

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## HEARING ON H.R. 1051, NEW MEXICO STATE- HOOD AND ENABLING ACT AMENDMENTS OF 1997

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TUESDAY, JUNE 17, 1997

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON NA-  
TIONAL PARKS AND PUBLIC LANDS, COMMITTEE ON RE-  
SOURCES, *Washington, DC.*

The Subcommittee met, pursuant to notice, at 10:03 a.m., Room 1324, Longworth House Office Building, Hon. James V. Hansen, Chairman, presiding.

### STATEMENT OF HON. JAMES V. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. HANSEN. The meeting will come to order. The Subcommittee on National Parks and Public Lands convenes to hear testimony on H.R. 1051, Enabling Act of New Mexico, and H.R. 1567, the Eastern Wilderness Act.

[H.R. 1051 can be found at the end of the hearing.]

Mr. HANSEN. The first bill is H.R. 1051. This bill would amend the New Mexico Enabling Act of June 20, 1910, in order to protect the permanent trust funds of the State of New Mexico from erosion due to inflation. This would be accomplished by modifying the basis on which distributions are made from those funds and by loosening the current investment restrictions. The modifications include changing the payout to a fixed percentage of the fund, thereby allowing a portion of the interest and dividend income received to be reinvested. This bill would also loosen investment restrictions and allow broader investment options and opportunities.

We are pleased to have two Representatives from New Mexico with us today, Congressman Joe Skeen and Congressman Bill Redmond. Unfortunately, Congressman Steven Schiff is ill and unable to be here today. We all wish him a quick and complete recovery.

We do want to extend our warm greetings to the new face on Capitol Hill, Mr. Redmond, who is a newly elected Representative from the traditionally Democratic but now Republican Third Congressional District of New Mexico. We welcome Mr. Redmond and are happy to have him here at our Subcommittee hearing. Both Mr. Redmond and Mr. Skeen will have a few words in support of H.R. 1051.

Back in 1964, we passed the Wilderness Act establishing the National Wilderness Preservation System. The system was designed to ensure that certain areas of our land would be preserved in a natural condition for the use and enjoyment of present and future

generations. Sounds like a pretty noble goal, doesn't it? A system of wilderness areas where nature, instead of man, dominates the landscape; a place where both we and our children can go to get away from the city and experience nature in its pristine state just like our forefathers did.

I think that from the outset, we have to concede that wilderness is not free. When we designate part of our land as a wilderness area, we foreclose our ability to use many of the natural resources, impose economic limitations on surrounding communities, limit our land management options, and we also severely restrict the types of recreation that can be enjoyed within the area. However, the American people have decided that the goals of wilderness preservation are important enough that they are willing to bear the costs.

Since 1964, Congress has designated about 103 million acres of wilderness. Since I have entered government service, I have been fortunate to have the opportunity to participate in the wilderness designation process many times. During my experience, though, I have noticed one glaring disparity in the Act's implementation. Almost all of the Nation's wilderness areas are in the West. Of those 103 million acres, almost 99 million are in the West. That is right, the West has over 95 percent of the Nation's wilderness.

Now that works out pretty well for a lot of westerners. Our youth groups love to go backpacking in our wilderness areas. A Boy Scout from Salt Lake City can go on a weekend excursion with his troop into the beautiful High Uintas wilderness area. He can hike up Explorer Peak overlooking the mountain valleys, breathe in the fresh pine-scented air, and marvel at the beauty of nature. It helps a young man to see past the streets. It gives a kid the opportunity to meditate and think about life, and the world, and to see a bigger picture.

I think kids need experiences like that. I think a good quality wilderness experience is something that can benefit anyone. And I think that people in the East need them just as much as people in the West. So my question is this: Why are we opting to preserve only western wilderness?

What are the effects of preserving wilderness on only one side of the continent? Well, first we are gradually losing the opportunity to save important ecosystems. The eastern forests have a unique biological balance found nowhere else in the world. Every day that we delay preservation, we are risking irreparable damage to these ecosystems.

Second, it makes it very difficult, if not impossible, to have a good wilderness experience in the East. In the East we have a situation where over 80 percent of the country's population must share less than 5 percent of the country's wilderness. The few wilderness areas that we do have in the East are almost unbearably crowded.

Now, I will have to admit that there are a lot of easterners for whom this really isn't a big problem. They can just catch a plane to Colorado or Alaska for a weekend and have a great wilderness experience there. A lot of these people don't really think it is a problem that there isn't very much wilderness in the East, and many of these people declined to come to this hearing. They don't understand why we would need more wilderness in the east if we can just designate more in the West.

Well, it is a problem for the millions of eastern Americans who can't afford to fly 2,000 miles to go camping for a weekend. Is it fair to have a world where only wealthy easterners are able to enjoy the wilderness? As it stands now, the average kid living in the eastern inner city isn't going to have the opportunity to experience the wilderness. His family can't afford to take him out West, and inner city youth groups don't have that kind of money. He really needs to get away from the street and experience nature, even if it is just for a weekend, but he will never get the chance. He probably needs the wilderness experience more than anyone, and yet we have created a system where he is the one with the least access to wilderness.

For over 30 years now, Congress has followed basically the same pattern. The agencies study the areas that might qualify, whether it is a RARE I or RARE II process, or whether it is national park or refuge wilderness. They then make recommendations to Congress, and then we decide what should be designated. We all get together, compare notes, argue a little, and designate a few million more acres of wilderness in the West, hoping to take some of the pressure off. Over the last 3 decades this has led to a staggering disparity between the number of acres of wilderness in the West as compared to the number of acres of wilderness in the East.

The last time we took a serious look at the issue of eastern wilderness preservation was with the Eastern Wilderness Act of 1975. This Act specifically designated about 204,000 acres of wilderness east of the 100th meridian and designated several wilderness study areas. The Act was successful to a certain extent, at increasing the amount of eastern wilderness. However, it has been over 20 years since it has passed, and the disparity between eastern and western wilderness acreage continues to grow. It is time that we address this issue again.

Granted, there are a lot of reasons that wilderness designation in the East is difficult. Among these include the fact that there is less Federal land in the East, and there are fewer unsettled areas in the East. However, I don't think it is fair to deny easterners a chance to have wilderness in their midst just because it is a little more difficult to designate eastern wilderness than western wilderness. There are millions of acres in the East that can and should become wilderness. These areas must be preserved. If we neglect to do so, we may lose the chance forever.

I think that H.R. 1567 would go a long ways toward remedying the eastern wilderness problem. It will direct the Secretary of Agriculture and the Secretary of Interior to study and inventory lands east of the 100th meridian that might qualify as wilderness. A process of public hearings will then ensue where State and local interests will be allowed to express their views on proposed designations. From time to time, following this period of local input, the Secretaries will report to the President their recommendations as to the suitability of these lands for wilderness preservation. The President will then make recommendations with respect to each area to Congress. The President's recommendations will become effective only through an Act of Congress.

Several components of the bill would serve to make wilderness designation in the East easier. First, it lowers the acreage thresh-

old in the East to 500 acres. This will help alleviate the problem that it is more difficult to find large unsettled areas east of the 100th meridian. Second, the bill would allow State and private lands to be studied for wilderness feasibility. This would help solve the problem that there is so little Federal land in the East. Third, the law would allow land to be designated as wilderness if it could eventually qualify as wilderness through national reclamation. This would help alleviate the problem that so little of the East fits the “untrammelled” definition of the original Act.

It is time to start discussing the issue. It is time to start doing something. This bill would finally force Congress to make a decision on all potential wilderness in the East sometime during the next 15 years.

I want to make one thing very clear. The bill does not actually designate any wilderness areas. Congress would still have to vote on each wilderness area. What this bill does is force us to start acting. It is designated to make it a little easier for eastern lands to qualify, and then to force us to start considering each of those areas.

[The statement of Mr. Hansen follows:]

STATEMENT OF HON. JAMES V. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

The Subcommittee on National Parks and Public Lands convenes to hear testimony on H.R. 1051, “Enabling Act of New Mexico,” and H.R. 1567, “Eastern Wilderness Act.”

The first bill is H.R. 1051. This bill would amend the New Mexico Enabling Act of June 20, 1910 in order to protect the permanent trust funds of the State of New Mexico from erosion due to inflation. This would be accomplished by modifying the basis on which distributions are made from those funds and by loosening the current investment restrictions. The modifications include changing the payout to a fixed percentage of the Fund, thereby, allowing a portion of the interest and dividend income received to be reinvested. This bill would also loosen investment restrictions and allow broader investment options and opportunities.

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Back in 1964, we passed The Wilderness Act establishing the National Wilderness Preservation System. The system was designed to ensure that certain areas of our land would be preserved in a natural condition for the use and enjoyment of present and future generations. Sounds like a pretty noble goal, doesn't it? A system of wilderness areas where nature, instead of man, dominates the landscape. A place where both we and our children can go to get away from the city and experience nature in its pristine state just like our forefathers did.

I think that from the outset, we have to concede that wilderness is not free. When we designate part of our land as a wilderness area we foreclose our ability to use of many of the natural resources, impose economic limitations on surrounding communities, limit our land management options and we also severely restrict the types of recreation that can be enjoyed within the area. However, the American people have decided that the goals of wilderness preservation are important enough that they are willing to bear the costs.

Since 1964, Congress has designated about 103 million acres of wilderness. Since I've entered government service, I've been fortunate to have the opportunity to participate in the wilderness designation process many times. During my experience, though, I've noticed one glaring disparity in the Act's implementation. Almost all of the Nation's wilderness areas are in the west. Of those 103 million acres, almost

99 million are in the west. That's right, the west has over 95 percent of this Nation's wilderness.

Now, that works out pretty well for a lot of westerners. Our youth groups love to go backpacking into our wilderness areas. A Boy Scout from Salt Lake City can go on a weekend excursion with his troop into the beautiful High Uintas Wilderness area. He can hike up Explorer Peak overlooking the mountain valleys, breathe in the fresh pine scented air and marvel at the beauty of nature. It helps a young man to see past the streets. It gives a kid the opportunity to meditate and think about life, and the world, and to see a bigger picture.

I think kids need experiences like that. I think a good quality wilderness experience is something that can benefit anyone. And I think that people in the East need them just as much people in the West. So my question is this: Why are we opting to preserve only western wilderness?

What are the effects of preserving wilderness on only one side of the continent? Well, first, we are gradually losing the opportunity to save important ecosystems. The eastern forests have a unique biological balance found nowhere else in the world. Every day that we delay preservation, we are risking irreparable damage to these ecosystems.

Second, it makes it very difficult, if not impossible, to have a good wilderness experience in the east. In the East, we have a situation where over 80 percent of the country's population must share less than 5 percent of the country's wilderness. The few wilderness areas that we do have in the east are consequently almost unbearably crowded.

Now, I'll have to admit, there are a lot of easterners for whom this really isn't a big problem. They just catch a flight to Colorado or Alaska for a weekend, and have a great wilderness experience there. A lot of these people don't really think it's a problem that there isn't very much wilderness in the east, and many of these same people declined to come to this hearing. They don't understand why we would need more wilderness in the east if we can just designate more in the west.

Well, it is a problem for the millions of eastern Americans who can't afford to fly 2,000 miles to go camping for a weekend. Is it fair to have a world where only wealthy easterners are able to enjoy wilderness? As it stands now, the average kid living in the Eastern inner city isn't going to have the opportunity to experience the wilderness. His family can't afford to take him out west and inner city youth groups don't have that kind of money. He really needs to get away from the street and experience nature, even if it's just for a weekend, but he'll never get the chance. He probably needs the wilderness experience more than anyone, and yet we've created a system where he is the one with the least access to wilderness.

For over 30 years now, Congress has followed basically the same pattern. The agencies study the areas that might qualify, whether it is a RARE I or RARE II process, or whether it is National Park or Refuge wilderness. They then make recommendations to Congress and then we decide what should be designated. We all get together, compare notes, argue a little, and designate a few million more acres of wilderness in the west, hoping it will take some of the pressure off. Over the last three decades this has led to a staggering disparity between the number of acres of wilderness in the west as compared to the number of acres of wilderness in the east.

The last time we took a serious look at the issue of eastern wilderness preservation was with the Eastern Wilderness Act of 1975. This Act specifically designated about 204,000 acres of wilderness east of the 100th meridian, and designated several wilderness study areas. The Act was successful, to a certain extent, at increasing the amount of eastern wilderness. However, it has been over 20 years since it was passed, and the disparity between eastern and western wilderness acreage continues to grow. It is time that we address this issue again.

Granted, there are a lot of reasons that wilderness designation in the east is difficult. Among these include the fact that there is less Federal land in the east, and that there are fewer unsettled areas in the east. However, I don't think it is fair to deny easterners the chance to have wilderness in their midst just because it is a little more difficult to designate eastern wilderness than western wilderness. There are millions of acres in the East that can and should become wilderness. These areas must be preserved. If we neglect to do so we may lose the chance forever.

I think that H.R. 1567 would go a long way toward remedying the eastern wilderness problem. It will direct the Secretary of Agriculture and Secretary of Interior to study and inventory lands east of the 100th meridian that might qualify as wilderness. A process of public hearings will then ensue where State and local interests will be allowed to express their views on proposed designations. From time to time, following this period of local input the Secretaries will report to the President their



recommendations as to the suitability of these lands for wilderness preservation. The President will then make recommendations with respect to each area to Congress. The President's recommendations will become effective only through an Act of Congress.

Several components of the bill would serve to make wilderness designation in the east easier. First, it lowers the acreage threshold in the east to 500 acres. This will help alleviate the problem that it is more difficult to find large unsettled areas east of the 100th meridian. Second, the bill would allow State and private lands to be studied for wilderness feasibility. This would help solve the problem that there is so little Federal land in the east. Third, the law would allow land to be designated as wilderness if it could eventually qualify as wilderness through natural reclamation. This would help alleviate the problem that so little of the east fits the "untrammeled" definition of the original Act.

Finally, it would get the ball rolling, so to speak. For 20 years now we have been ignoring the question of eastern wilderness. It's time to start discussing the issues. It's time to start doing something. This bill would finally force Congress to make decisions on all potential wilderness in the east sometime during the next 15 years.

I want to make one thing very clear: this bill does not actually designate any wilderness areas. Congress would still have to vote on each wilderness area. What this bill does do is force us to start acting. It is designed to make it a little easier for eastern lands to qualify, and then to force us to start considering each of those areas.

Mr. HANSEN. The gentleman from American Samoa.

**STATEMENT OF HON. ENI F.H. FALEOMAVAEGA, A DELEGATE  
IN CONGRESS FROM AMERICAN SAMOA**

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman, for your calling the hearing for these several bills that are now considered by the Subcommittee at this time. But before making my statement, I certainly would like to offer my personal welcome to the gentleman from New Mexico, our colleague from New Mexico Congressman Skeen, and certainly wish to thank him personally for the tremendous help and his leadership that he has given in the Appropriations Committee. And we really appreciate the help he has given over the years.

Mr. Chairman, the Subcommittee is considering two very unrelated pieces of legislation today. I understand that H.R. 1051 is supported by the entire New Mexico delegation, and I am unaware of any controversy associated with that legislation.

The other bill we are considering today is H.R. 1567 and is likely to be one that we will focus on in the testimony and questioning for this hearing. H.R. 1567 sets a procedure to study designated managed wilderness lands in the eastern United States that is for the most part duplicative, in my humble opinion, of the existing Wilderness Act. In fact, whole sections of the bill are taken verbatim from the current wilderness legislation.

The bill does differ from existing law in several significant aspects. First, it allows land to be recommended for wilderness. If such land could be naturally reclaimed, so it is original wilderness characteristics. Second, the bill allows areas as small as 500 acres to be designated wilderness. And third, the legislation provides for the study of all State and private lands east of the 100th meridian for possible wilderness designation.

It is this last provision that is most interesting, Mr. Chairman. The Wilderness Act only provides that Federal lands be studied and designated wilderness. Given some of the concerns expressed during consideration of the biological survey, I am surprised to see the proponents of H.R. 1567 advocating a study of vast amounts of

private and State lands. And maybe, Mr. Chairman, you can provide clarification on this point.

I understand that the Administration witnesses today will testify in opposition to H.R. 1567, citing the bill's deviations from existing wilderness policy and its redundancy with many of the provisions of the Wilderness Act.

For the past 30 years, Congress has provided for the study and designation of Federal lands in the eastern United States. In fact, the Eastern Wilderness Act was signed into law in 1975. Numerous eastern areas were designated wilderness prior and subsequent to 1975.

Mr. Chairman, many Members of our side have voted for eastern wilderness legislation. If there are new proposals to designate wilderness in the East, I think we should consider them. However, I believe that maybe we don't need a new law to do this. Wilderness has been and continues to be studied and designated pursuant to the Wilderness Act of 1964. I believe we should continue to consider wilderness within that parameter and with the law's policy and framework.

I thank the Chairman for providing me the opportunity to make this statement and I yield back the balance of my time.

Mr. HANSEN. Thank you. I appreciate the gentleman's comments. Let's just quickly point out to you that I have been on this Subcommittee for 17 years and been part of every wilderness Act that has come along, and every one of them surrounds private and State property. And I fully—I want to also add that every one of them has pieces of less than 5,000 acres which somebody seems to have a way of disobeying the law very readily. I say that with respect to my good friend from American Samoa.

The gentleman from Oregon, Mr. Smith.

**STATEMENT OF HON. ROBERT F. SMITH, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF OREGON**

Mr. ROBERT SMITH. Mr. Chairman, I want to also welcome Mr. Redmond and Mr. Skeen to this Subcommittee. While we are not discussing their bill at this point, we are discussing an issue of utmost importance to both of them and to we in the West. And I am really proud to be a cosponsor of this legislation. And I thank you, Mr. Chairman, for an introduction of this idea.

For as long as I have been here, not quite as long as you, and on an interrupted tenure, I have watched and sat and listened to easterners trump up western wilderness programs until I am sick of it, frankly. And the very idea that we shouldn't be studying eastern wilderness opportunities seems like total hypocrisy to me. I—in fact, I am surprised that I don't see those protectionists who have advanced their ideas on western wilderness as cosponsors of your bill. They are not there. I am shocked, because they have ventured and supported every wilderness program known to mankind for the years I have been here. So I am surprised they don't support the idea in the East.

Now, why is it wrong for westerners to ask that we study eastern wilderness while we have been under the thumb of easterners all these years studying western wilderness. So I think it is just mightily fair that we advance this idea and change the focus a tad.

Obviously this is your intention, to change the focus from the West being the recipient of all of this great legislation to the East.

Now, there are lots of timberlands in the East. There are lots of Federal lands in the East. Certainly the East is the oldest part of our country. If we want to preserve antiquities, we ought to look at the East first and not the West.

So I am delighted, Mr. Chairman, with this idea, and I suggest that we ask those folks who have advanced wilderness for all these years that you and I have sat here to be a part of this legislation, because in all fairness we should establish the East. If it is good policy for the West, it must be good policy for the East.

Thank you, Mr. Chairman.

Mr. HANSEN. Thank you, Mr. Smith.

Mr. HANSEN. Gentleman from California, Mr. Radanovich.

**STATEMENT OF HON. GEORGE P. RADANOVICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. RADANOVICH. Thank you, Mr. Chairman. I, too, want to applaud you and the bill you have introduced, H.R. 1567, and cointroduced with Mr. Smith from Oregon. And, you know, I am reminded by the chart that was included in our packet of land east of the 100th meridian, which is roughly the Mississippi River, actually a little bit to the west of the Mississippi River, and all the land to the west of that line is—it includes wilderness—is 98 million acres; east of that line, on the east, eastern part of the United States, about 4 million. And, you know, I just want to encourage the easterners to know that eastern wilderness is just as good as western wilderness, and it is just as worthy of protection as is the wilderness in the West. And I am encouraged by the fact that we can take a look and find some of those areas where we can begin to get involved to make sure that this country's wilderness heritage is protected.

It is a big discrepancy, and I think it causes some people in the west—or, excuse me, the East—to have an undue influence on the resources of the West. And I look forward to that being corrected by this bill.

Thank you.

Mr. HANSEN. Thank you. I appreciate the gentleman's comments.

We are grateful for our first panel: Joe Skeen, New Mexico, accompanied by Bob Gish and Bill Redmond. And we will take you in that order. So, Joe, the time is yours, sir.

**STATEMENT OF HON. JOE SKEEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO**

Mr. SKEEN. Well, thank you very much, Mr. Chairman, and Members of the Subcommittee. We appreciate the opportunity to talk to you about this bill today.

I want to thank for you holding this hearing on H.R. 1051, which is a bill that amends the New Mexico Statehood and Enabling Act of 1910. The entire New Mexico congressional delegation supports this legislation as well as the Governor and the State legislature.

Before I proceed with my testimony, I would like to state for the record that Congressman Steve Schiff was unable to be here today

because of medical reasons and strongly supports this legislation which he sponsored.

Now I would also like to take this opportunity to introduce you to you Mr. Bob Gish from the State of New Mexico Investment Council, who is available to answer questions on this legislation.

Now, on behalf of the State of New Mexico I am placing into the record a statement from Phil Archibeck, State investment officer for the State of New Mexico, which explains the legislation and provides backup documentation for the legislation.

I would also like to take this time to point out that an identical Senate bill, S. 430, has passed the Senate and is now in our body awaiting action. Further, it is my understanding that the Department of Interior has informed the Congress it has no objection to the bill.

Basically the issue behind this bill involves the manner in which the State of New Mexico invests its money and how it then disperses the funds for the betterment of its citizens. The Enabling Act has governed these activities since statehood. However, as investment patterns changed, it became apparent to New Mexico that the system no longer was keeping pace with modern investment strategies and customs. Following the intensive review, the issue was placed before the voters last year as an amendment to the New Mexico Constitution. The amendment passed by a 2 to 1 margin last November. All this legislation does is amend the New Mexico Statehood and Enabling Act so that they are in conformity with this new change in the New Mexico Constitution.

In 1957, Congress amended the Enabling Act to allow State permanent fund investments in corporate stocks for the first time. However, that amendment made no provision regarding how distributions were to be made from returns on the stocks. So in fact it was ruled that only dividends from the stocks could be distributed, which had the effect of no significant investments were made in stocks.

The real impact meant that investments were, in fact, basically limited to investments that were income-interest-based. A new formula was prepared by the committee studying this issue, and in 1996 the voters adopted it. In early 1997, the State legislature made the needed changes in State law to reflect the new constitutional provisions, and it is our hope to get this legislation adopted as soon as possible because the New Mexico budget year begins on July 1.

Mr. Chairman, it is important that New Mexico permanent—that the New Mexico permanent fund be managed in a modern and effective manner. These changes will allow that to happen, and further it will allow the State to preserve the two permanent funds the State has for future generations.

In closing, I want to thank you and the Subcommittee for scheduling this hearing, and I want to assure you that I will work closely with you to assure the passage of this very important piece of legislation.

Thank you, Mr. Chairman and Members of the Subcommittee.

Mr. HANSEN. Thank you, Mr. Skeen.

[The statement of Mr. Skeen follows:]

STATEMENT OF HON. JOE SKEEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. Chairman, I want to thank you for holding this hearing today on H.R. 1051 a bill amending the New Mexico Statehood and Enabling Act of 1910. The entire New Mexico Congressional Delegation supports this legislation as well as the Governor and the State legislature.

Before I proceed with my testimony I would like to state for the record that Congressman Steve Schiff was unable to be here today because of medical reasons and strongly supports this legislation which he cosponsored. I would also like to take this opportunity to introduce Bob Gish from the State of New Mexico Investment Council who is available to answer questions on this legislation.

On behalf of the State of New Mexico I am placing into the record a statement from Phil Archibeck, State investment officer for the State of New Mexico, which explains the legislation and provides backup documentation for the legislation.

I would also take this time to point out that an identical Senate Bill (S. 430) has passed the Senate and is now in our body awaiting action. Further it is my understanding that the Department of Interior has informed the Congress it has no objection to the bill.

Basically the issue behind this bill involves the manner in which the State of New Mexico invests its money and how it then disperses the funds for the betterment of its citizens. The Enabling Act has governed these activities since statehood. However as investment patterns changed it became apparent to New Mexico that the system no longer was keeping pace with modern investment strategies. Following an intensive review the issue was placed before the voters last year as an amendment to the New Mexico Constitution. The amendment passed by a two to one margin last November. All this legislation does is amend the New Mexico Statehood and Enabling Act so that they are in conformity with this new change in the New Mexico Constitution.

In 1957 Congress amended the Enabling Act to allow State permanent fund investments in corporate stocks for the first time. However, that amendment made no provision regarding how distributions were to be made from returns on the stocks. So in fact it was ruled that only dividends from the stocks could be distributed which had the effect that no significant investments were made in stocks. The real impact meant that investments were in fact basically limited to investments that were income interest based. A new formula was prepared by the committee studying this issue and in 1996 the voters adopted it. In early 1997 the State legislature made the needed changes in State law to reflect the new constitutional provisions. It is our hope to get this legislation adopted as soon as possible because the New Mexico budget year begins July 1.

Mr. Chairman it is important that the New Mexico permanent fund be managed in a modern and effective manner. These changes will allow that to happen and further it will allow the State to preserve the two permanent funds the State has for future generations. In closing I want again to thank the Committee for scheduling this hearing and I want to assure you I will work closely with you to assure passage of this very important piece of legislation.

Mr. HANSEN. Did you want to say anything about the other bill?

Mr. SKEEN. I strongly support where you are going. And I think this bill is a way to educate easterners to what's going on in the west because we have given at the office. It is about their time to ante up.

Mr. HANSEN. I appreciate it.

Mr. SKEEN. Other than that, I have very strong feelings about it.

Mr. HANSEN. I appreciate your comments.

Mr. Redmond, it is a pleasure to have you with us today. We welcome you to the Subcommittee and turn the time to you, sir.

STATEMENT OF HON. BILL REDMOND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. REDMOND. Thank you, Mr. Chairman, for holding the hearing today on H.R. 1051, a bill to amend the New Mexico Statehood and Enabling Act of 1910 to protect permanent trust funds of the

State of New Mexico from erosion due to inflation and to modify the basis on which distributions are made from those funds. I appreciate you giving me this opportunity to speak on behalf of the proposed amendment.

This bill was introduced in the House and Senate simultaneously on March 12th of this year, and it is supported by the entire New Mexico delegation. The Department of Interior, under whose purview this legislation falls, also has no objection to this amendment.

As you are aware, the Federal Government has traditionally provided a series of benefits to new States as a part of the admissions process. In the case of 30 States, those benefits included land grants. New Mexico received slightly over 3 million acres for a variety of purposes when it became a State. Among those specified uses of this land, as per the Enabling Act of 1910, were the retirement of territorial debt and maintenance of hospitals and schools.

Section 2 of the Enabling Act required New Mexico to agree to all the limitations that accompanied the various grants and prohibited any State constitutional amendment without the consent of the U.S. Congress.

Among the limitations included in these provisions were restrictions on investments and requirements to disburse the income from the permanent funds. In 1957, the Enabling Act was amended to delete a requirement that a separate fund be established for each purpose for which grants were made, and that all moneys must be invested in safe interest-bearing securities. This change allowed the State of New Mexico to invest in corporate stocks where they had been unable to previously.

However, in 1957, change—the 1957 changes did not specify how distributions would be handled from the returns. Since dividends on stocks are generally lower than interest on bonds, maintenance of the annual payments limited investment in stocks. The ultimate effect was the diminishment of the real value of the corpus of the permanent fund.

In 1995, a permanent funds study committee released a report on the portfolio of the permanent fund and recommended a series of amendments to the State Constitution to provide for greater flexibility and broader diversification of the investments in order to reserve the corpus of the fund against inflation, and to maintain the income stream for the beneficiaries.

The new distribution method was approved by 68 percent of the voters in a State constitutional amendment in the 1996 general election. However, in order for these changes to take effect, Congress must amend the Enabling Act and consent to the amendments.

Mr. Chairman, once again, I thank you for holding these hearings, and for your support on the changes. I look forward to working with you in the future on this issue.

Mr. HANSEN. Thank you, Mr. Redmond.

[The statement of Mr. Redmond follows:]

STATEMENT OF HON. BILL REDMOND, A REPRESENTATIVE IN CONGRESS FROM THE  
STATE OF NEW MEXICO

Thank you Mr. Chairman for holding this hearing today on H.R. 1051, a bill to amend the New Mexico Statehood and Enabling Act of 1910 to protect permanent trust funds of the State of New Mexico from erosion due to inflation and to modify

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The new distribution method was approved by 68 percent of the voters as a State constitutional amendment, in the 1996 general election. However, in order for these changes to take effect Congress must amend the Enabling Act and consent to the amendments.

Mr. Chairman, once again I thank you for holding these hearings and for your support of these proposed changes. I look forward to working with you in the future on this issue.

Mr. HANSEN. Mr. Smith, do you have any questions of the panel?

Mr. ROBERT SMITH. I have some in-depth questions for both Members of Congress, but I will submit those in writing, Mr. Chairman.

Mr. HANSEN. Thank you.

Mr. Faleomavaega, any questions?

Mr. SKEEN. Better leave while the leaving is good.

Mr. FALEOMAVAEGA. Mr. Chairman, I have no questions, but again, to thank Mr. Skeen and his associates from New Mexico for his testimony.

Mr. HANSEN. Thank you.

[Whereupon, at 11:20 a.m. the Subcommittee was adjourned.]

105TH CONGRESS  
1ST SESSION

# H. R. 1051

To amend the Act of June 20, 1910, to protect the permanent trust funds of the State of New Mexico from erosion due to inflation and modify the basis on which distributions are made from those funds.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 1997

Mr. SKEEN (for himself and Mr. SCHIFF) introduced the following bill; which was referred to the Committee on Resources

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## A BILL

To amend the Act of June 20, 1910, to protect the permanent trust funds of the State of New Mexico from erosion due to inflation and modify the basis on which distributions are made from those funds.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "New Mexico Statehood  
5 and Enabling Act Amendments of 1997".



1 **SEC. 2. PERMANENT TRUST FUNDS OF THE STATE OF NEW**  
2 **MEXICO.**

3 (a) INVESTMENT OF AND DISTRIBUTIONS FROM  
4 PERMANENT TRUST FUNDS.—The Act of June 20, 1910  
5 (36 Stat. 557, chapter 310), is amended—

6 (1) in the proviso in the second paragraph of  
7 section 7, by striking “the income therefrom only to  
8 be used” and inserting “distributions from which  
9 shall be made in accordance with the first paragraph  
10 of section 10 and shall be used”;

11 (2) in section 9, by striking “the interest of  
12 which only shall be expended” and inserting “dis-  
13 tributions from which shall be made in accordance  
14 with the first paragraph of section 10 and shall be  
15 expended”; and

16 (3) in the first paragraph of section 10, by add-  
17 ing at the end the following: “The trust funds, in-  
18 cluding all interest, dividends, other income, and ap-  
19 preciation in the market value of assets of the funds  
20 shall be prudently invested on a total rate of return  
21 basis. Distributions from the trust funds shall be  
22 made as provided in Article 12, Section 7 of the  
23 Constitution of the State of New Mexico.”.

24 (b) CONSENT OF CONGRESS.—Congress consents to  
25 the amendments to the Constitution of the State of New  
26 Mexico proposed by Senate Joint Resolution 2 of the 42nd

1 Legislature of the State of New Mexico, Second Session,  
2 1996, entitled “A Joint Resolution proposing amendments  
3 to Article 8, Section 10 and Article 12, Sections 2, 4 and  
4 7 of the Constitution of New Mexico to protect the State’s  
5 permanent funds against inflation by limiting distributions  
6 to a percentage of each fund’s market value and by modi-  
7 fying certain investment restrictions to allow optimal di-  
8 versification of investments”, approved by the voters of the  
9 State of New Mexico on November 5, 1996.

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