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FISCAL IMPACT REPORT

ORIGINAL DATE 2-3-09

SPONSOR Lundstrom LAST UPDATED _____ HB 326

SHORT TITLE McKinley County Land Disposal SB _____

ANALYST Woods

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
NFI	Indeterminate - Positive <i>(See Fiscal Implications)</i>	Non-Recurring	Parks Operating

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non- Rec	Fund Affected
Total	NA	Indeterminate (positive)	NA	Indeterminate (positive)	Non- Recurring	Parks Operating

(Parenthesis () Indicate Expenditure Decreases)

Relates to HJR7

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 326 appropriates any proceeds from the disposal of a 424-acre surplus property in McKinley County owned by the State Parks Division (SPD) to SPD for expenditure in fiscal years 2009 through 2019 for the purpose of matching federal funds or making improvements or purchasing adjacent lands at state parks or at other parks authorized or to be authorized for acquisition by the legislature. Any unexpended or unencumbered balance remaining at the end of fiscal year 2019 shall revert to the general fund. appropriates the authorizes the Energy, Minerals, and Natural Resources Department, State Parks Division (SPD), to dispose of surplus real property in McKinley County. This disposal may be by donation, sale, or exchange of real

property.

FISCAL IMPLICATIONS

EMNRD indicates that there will be a net positive impact to the SPD from the disposal of surplus land in McKinley County; the exact appropriation authorized by HB 326 is indeterminate, as it will depend on the method of disposal (sale or exchange). If the method of disposal is exchange, there is likely to be little or no appropriation of proceeds to SPD, as exchanges are typically of equal value. If the Division does an outright sale of the property, and assuming a value of \$1.0 per acre, the proceeds of the sale would generate approximately \$424.0 to SPD.

DFA adds that the appropriation would be valid from FY09 through FY19 at which time any unexpended or unencumbered balances shall revert to the General Fund. Further, that the possibility exists that SPD would exchange the property with property owned by the State Land Office (SLO), which may generate no proceeds assuming the exchange is equal (see "Other Substantive Issues").

SIGNIFICANT ISSUES

EMNRD notes that the property owned by SPD in McKinley County (approximately 424 acres) is not currently and probably never will be used for state park purposes. This property was initially acquired by SPD in the 1930s. There are no plans, either short- or long-term for usage of this property for State Park purposes, and the property itself does not contain natural or cultural resources significant enough to warrant continued SPD ownership and management; therefore, SPD is requesting authority to dispose of the property through HJR 7. If SPD is granted authority to dispose of this surplus property, one option would be an exchange with the SLO. SPD currently leases state trust land at six parks (Clayton, Oasis, Rockhound, City of Rocks, Leasburg, and Bottomless Lakes). SPD has proposed the concept of a land exchange to SLO involving the McKinley County property. Depending on the values of the respective SPD and SLO lands involved, SPD could receive title to the state trust lands within the six state parks in exchange for all or part the McKinley County property (which has development potential and could earn revenue for SLO that benefits the Permanent Fund). SLO is interested in this exchange. The results of such an exchange would probably not result in an appropriation of funds to SPD, but would be beneficial for both parties and for the public. SLO would obtain property that could produce revenue for public education. State Parks would obtain permanent title to land within six state parks, gain autonomy to manage and develop these lands as the agency sees fit in order to benefit the visitors and the general public, eliminate a substantial annual cost, and reduce administrative burden by eliminating leases. With passage of HB 326, if SPD sells the surplus property, the proceeds would be appropriated to the Division. SPD would use these funds to operate existing state parks (which would be extremely valuable during the current state budget crises) and/or to address priorities among the \$60 million backlog of capital projects within the State Park System.

PERFORMANCE IMPLICATIONS

EMNRD suggest that if an appropriation to SPD results from a sale of the surplus property, it would have positive impacts on SPD performance measures, as the Division would have additional funds to operate and improve the State Park System. DFA adds that the appropriation will, “allow SPD to improve facilities at existing state parks and/or increase the number of acres added to state parks - a Governor's Performance and Accountability measure.”

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HJR 7 would provide the legislative authorization for SPD to dispose of the surplus property in McKinley County.

OTHER SUBSTANTIVE ISSUES

DFA advises that SPD currently leases state trust land at six parks (Clayton, Oasis, Rockhound, City of Rocks, Leasburg, and Bottomless Lakes). SPD has proposed the concept of a land exchange to SLO involving the McKinley County property. Depending on the values of the respective SPD and SLO lands involved, SPD could receive title to the state trust lands within the six state parks in exchange for all or part the McKinley County property. Further, according to SPD, the SLO is interested in this exchange. SLO would obtain property that could produce revenue for public education. State Parks would obtain permanent title to land within six state parks, gain autonomy to manage and develop these lands as the agency sees fit in order to benefit the visitors and the general public, eliminate the substantial annual cost of the leases and reduce administrative burdens.

AMENDMENTS

None suggested by respondents.

BW/mt/mc