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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/09
 LAST UPDATED 03/11/09 HB 500/aHTRC/aSPAC

SPONSOR King

SHORT TITLE DFA Approval of Legal Land Sales and Leases SB _____

ANALYST Aubel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From (For Original Bill)

Department of Finance and Administration (DFA)
 Higher Education Department (HED)
 Taxation and Revenue Department (TRD)
 Energy, Minerals and Natural Resources Department (EMNRD)
 Public Education Department (PED)

No Response From

General Services Department

SUMMARY

Synopsis of SPAC Amendment

The Senate Public Affairs Committee Amendment to House Bill 500/aHTRC strikes the HTRC Amendment and reduces the threshold amount triggering a Board of Finance review to \$100 thousand. The current threshold is \$25 thousand. The Secretary of the Department of Finance and Administration would review transactions ranging from \$5 thousand to this new \$100 thousand threshold.

Synopsis of the HTRC Amendment

The House Taxation and Revenue Committee Amendment lowers the threshold amount that will trigger a Board of Finance review of real property sold, traded or leased by a state agency, local public body or school district state agencies from \$250 thousand contained in the original bill to \$150 thousand.

Synopsis of Original Bill

House Bill 500, which amends Section 13-6-2 NMSA 1978, pertains to approval of certain property dispositions (sales, trades and leases) by state agencies, local public bodies and school districts. The bill raises the minimum transaction amount that requires Board of Finance (BOF) approval from \$25 thousand to \$250 thousand. Under the bill, transactions that were reviewed and approved from the current \$5 thousand to \$25 thousand range by the Local Government Division of the Department of Finance and Administration (DFA) would now range from \$5 thousand to \$250 thousand and be approved by the Secretary of DFA. Similarly, the Public Education Department and the Higher Education Department would also be required to review dispositions from \$5 thousand to \$250 thousand. Any lease for a period of more than five years would still require BOF approval, regardless of the value involved.

The effective date of HB 500 is July 1, 2009.

FISCAL IMPLICATIONS

No fiscal impacts were noted.

SIGNIFICANT ISSUES

According to DFA, HB 500 updates statute to align with the significant increase in real estate prices since Section 13-6-2 NMSA 1978 was initially enacted in the 1980s. Increasing the minimum value threshold of real property dispositions requiring BOF review from \$25 thousand to \$250 thousand will reduce the burden on local governments, school districts, and higher education institutions that wish to dispose of property. In addition, the BOF and its staff would be able to dedicate additional time to other critical issues.

ENMRD points out that raising the BOF approval threshold to \$250 thousand from \$25 thousand “for the sale, lease or trade of real property will allow local public bodies and schools to move faster with fewer administrative hurdles prior to complete a transaction of this type. HB 500 should allow these entities to take advantage of favorable market conditions in a timelier manner. It will not apply to state agencies: Section 13-6-3 NMSA 1978 requires approval by the legislature for similar real property transactions by state agencies for transactions involving asset values over \$100 thousand. Maintaining the legislative approval requirement for state agencies negates any advantage of speed and efficiency that might be gained by the proposed change in the threshold for BOF approval up to \$250 thousand.” EMNRD proposes that it would be appropriate to coordinate HB 500 with Section 13-6-3 NMSA 1978 so that the approval threshold amounts match.

ADMINISTRATIVE IMPLICATIONS

DFA suggests that HB 500 would modestly shift workload between the State Board of Finance and other DFA Office of the Secretary, PED, and HED.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Approval requirements for disposition of real property would remain unchanged.