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## FISCAL IMPACT REPORT

ORIGINAL DATE 2-8-09

SPONSOR Cote LAST UPDATED \_\_\_\_\_ HB 610

SHORT TITLE Land Commissioner Classification & Accounting SB \_\_\_\_\_

ANALYST Woods

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 605, HB606, HB607; SB 474, SB475

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

State Land Office (SLO)

Attorney Generals Office (AGO)

Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

House Bill 610 seeks to enact a new section of Chapter 19, Article 1 that requires the commissioner of public lands, in consultation with the state auditor, to compile a manual prescribing a uniform classification of accounts and a uniform system for budgeting, reporting and recordkeeping. That manual must include (1) the reporting of appropriations received and expended; (2) all revenue received by the state from each lease and contract entered into by the commissioner; and (3) a system for keeping, locating and tracking all documents related to transactions involving state lands, including all sales, leases and trades of state lands and any interest in those lands, all assignments of state leases and contracts and, if issued by competitive bid or proposal, all bids received for any transaction involving state land. The uniform system must require the submission of at least quarterly financial reports. The manual must be filed as required by the State Rules Act. <sup>1</sup>

<sup>1</sup> Extracted from the AGO response which carries the caveat, *This analysis is neither a formal Attorney General's Opinion nor an Attorney General's Advisory Opinion letter. This is a staff analysis in response to the agency's, committee's or legislator's request.*

There is no appropriation attached to this legislation.

### **FISCAL IMPLICATIONS**

SLO advises that, in 1990, the legislature directed the commissioner to develop the ONGARD system presently used to record and report transactions involving trust lands. See NMSA 1978, § 19-10B-1 *et seq.* That system provides a comprehensive classification of accounts capable of generating reports and utilization for recordkeeping purposes. As a result, there are no fiscal implications with maintaining operation of the system currently in place. However, should a new system be implemented, the SLO would incur significant costs associated with employing a business model, developing a new software device, creating new employment positions for the sole purpose of developing the aforementioned items as well as staff to operate and maintain the system post development.

DFA notes that, because the bill calls for a system for maintaining and tracking documents related to state land transactions, the commissioner could argue for information technology enhancement funding. More certain expenses resulting from the bill include the printing of the manual and the staff time devoted to meeting the requirement for making quarterly financial reports and keeping the system updated. These costs should be relatively insignificant for the State Land Office since much of the needed data is readily available at present.

### **SIGNIFICANT ISSUES**

DFA suggests that the intention of the bill is to mandate more transparency at the State Land Office due to allegations of improper state land transactions. Requiring all bids received for any transaction involving state land to be maintained (as the bill does) is a particularly effective way of ensuring such transparency. It should be noted that the commissioner must consult with the State Auditor in order to initially compile the manual for reporting and recordkeeping, but thereafter can review and revise the manual as he/she deems appropriate. This allows the party responsible for reporting and recordkeeping to change reporting and recordkeeping requirements as he/she sees fit (while still meeting the bill's standards).

SLO indicates that, on face, this bill seeks to create an unnecessary system as ONGARD currently addresses the issues identified by the bill. ONGARD allows for the reporting of all appropriations received and expended. The SLO finance division currently produces reports for appropriations and expenditures. Furthermore, this division produces monthly reports of all revenue received by the state from each lease or contract. The SLO is currently developing the Document Management System and electronically imaging all documents related to land exchanges, land sales, leases and contracts. Based on the rate of imaging current leases, this process is estimated to be current within four to five years. Pursuant to budgeting, the SLO budget falls under the authority of the Legislature and must comply with the rules and regulations of the state budget division.

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## **ADMINISTRATIVE IMPLICATIONS**

SLO states: “To the extent that the legislation replicates existing reporting and recordkeeping procedures, it would substantially increase the administrative burdens of the State Land Office in developing and implementing a new system.”

## **RELATIONSHIP**

Relates to HB 605, HB 606, HB607; SB 474, SB475

SLO states: “The bill overlaps and potentially conflicts with the ONGARD Act, NMSA 1978, § 9-10B-1 *et seq.*”

## **TECHNICAL ISSUES**

AGO notes that it may be useful for the bill to specify at paragraph B “to whom” the quarterly financial reports are to be submitted by the land commissioner.

SLO suggest that development of a manual to outline the procedures utilized currently would require staff to communicate with each division to articulate the methods used for reporting and recordkeeping. The efforts of IT and the records division to integrate ONGARD as a more multi-faceted program capable of reporting, recordkeeping and document management are increasing the efficiency and accessibility sought by this bill. The manual itself will be subject to amendment and changes as the processes currently being employed may be changed through further technological advancement.

## **OTHER SUBSTANTIVE ISSUES**

SLO states: “As ONGARD is the operative system, requiring the development of a new system to carry out the same function will increase technical and administrative costs as well as create potential issues with the current administration of ONGARD which is a shared program with the Taxation and Revenue Department as well as OCD.”

## **ALTERNATIVES**

SLO suggests to amend this bill to create reporting timeframes instead of development of a new system to replace the current system.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

SLO states: “Reporting, recordkeeping, and document accessibility will continue under the current policies and procedures of the SLO.”