

NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC's office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT



SPONSOR: Kidd DATE TYPED: 1/29/02 HB _____

SHORT TITLE: Eddy County Property Sale By EMNRD SB SJR 13

ANALYST: Trujillo

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	\$0.1 Indeterminate	Indeterminate	N/A	OSF

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From:

Energy, Minerals and Natural Resources Department (EMNRD)
 Commissioner of Public Lands (CPL)
 State Engineer (SE)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 13 provides legislative approval pursuant to NMSA 1978, §13-6-3 for the sale of approximately 1,000 acres of real property in Eddy County currently owned by the State Parks Division (SPD) of the Energy, Minerals and Natural Resources Department (EMNRD). The joint resolution provides that the property is to be sold for its fair market value, is to be appraised before sale, and any sale is to be reviewed and approved by the state Board of Finance. The resolution notes that the property is valued in excess of \$100,000 and therefore requires the approval of the Legislature before sale. It is not a state park and does not fit the criteria for becoming a state park and notes the legal description of the property.

Significant Issues

EMNRD reports the Cottonwood Walnut property was purchased in 1972 for the proposed development of Cottonwood Walnut Creek State Park. This project was to be developed in partnership with the Soil Conservation Service, now the Natural Resources Conservation Service (NRCS), to construct a dam. The cost of recreational facilities was to be split equally between the state and the NRCS. Based on research in 1984, the state's share of participation in this project would have exceeded a million dollars. Since its purchase nearly thirty years ago, there has been no funding for development or operation of the property.

In 1987 Brantley Dam was completed and a state park was opened there, only thirty miles from Cottonwood Walnut; given the financial limitations of the SPD there is little need to create another state park in this area.

The SPD has no plans to develop this property into a state park as it does not contain a diversity of resources and would not provide recreational opportunities significant enough to assure patronage from the region or the state as a whole. The property does not conform to the state comprehensive outdoor recreation plan and therefore does not fit the criteria for development as a state park pursuant to NMSA 1978, §16-2-11.

During the 45th Legislature, first session, Senate Joint Resolution 4 was passed and signed by the Governor to allow the State Parks Division to purchase lands adjacent to Coyote Creek, Oliver Lee and Pancho Villa State Parks. Through the Land and Water Conservation Funds (LWCF), New Mexico was allocated \$433,148.00 to partially fund the acquisitions of adjacent lands, which would protect these parks natural, cultural and historical attributes through encroaching urbanization. The LWCF funding requires that the state provide matching funds to meet the state obligation for funding. The revenue generated from the sale of Cottonwood Walnut would be utilized for the state's match of the federal funding.

According to SE, the land that is owned by EMNRD in excess of 600 acres of water rights appurtenant to it. The appraisal of the land that is owned by EMNRD should include the value of the water rights. Also, an analysis by the Interstate Stream Commission should be allowed to determine whether the water rights have been used in recent years and whether retirement or use of the water rights would be either useful or detrimental, respectively, in meeting Pecos River Compact deliveries.

PERFORMANCE IMPLICATIONS

EMNRD reports passage of this resolution would allow the SPD to expand its cultural, historical and natural resource educational and interpretive programs at Coyote Creek, Oliver Lee and Pancho Villa. Failure to secure lands adjacent to these parks may allow the opportunity for encroachment by developers. This could affect visitation and revenue. Performance measures that could be affected are: number of visitors to state parks (output); percent of general fund to total fund (explanatory); self-generated revenue per visitor (explanatory); number of interpretive programs available to park visitors (output); and number of visitors participating in interpretive programs, including displays at visitor centers and self-guided tours (output).

SE reports the resolution would not have a significant impact on the agency, unless further analysis of the water rights and water use impacts on compact deliveries by the Interstate Stream Commission is allowed.

However, for future reference, if the water rights have not been fully utilized, and if the land and water rights are sold to a party that would fully utilize the water rights, then sale of the property might reduce New Mexico's ability to meet its Compact deliveries to Texas. This could result in a need for the Interstate Stream Commission to acquire and retire additional water rights to meet performance targets in Compact deliveries. On the other hand, if the rights have been fully utilized and the rights are retired separate from the land sale, then New Mexico's ability to perform under the compact could be enhanced.

FISCAL IMPLICATIONS

According to EMNRD, the sale of the Cottonwood Walnut property would create a revenue source that would be utilized to match federal funds for the purchase of lands adjacent to the three state parks.

Although no formal appraisal on this property has been performed, quotations from three realtors in the Artesia area range from \$847,600.00 to \$1,039,000.00. These quotes are based on 360 acres of artesian water rights and 638 dry-land acres.

SE indicates the State of New Mexico could benefit financially from the sale of the land and the water rights. However, if the water rights have not been fully utilized, and if the land and water rights are sold to a party that would fully utilize the water rights, then sale of the property might reduce New Mexico's ability to meet its Compact deliveries to Texas and result in a need for the Interstate Stream Commission to acquire and retire additional water rights to meet performance targets in Compact deliveries. If the water rights have been fully used the New Mexico Interstate Stream Commission would have to analyze the water rights to see if they could be retired or used in another way for compact deliveries. Based on past water rights purchases made by the Interstate Stream Commission to increase state line flows under the Compact, purchase costs may range up to \$3000 per acre or more.

ADMINISTRATIVE IMPLICATIONS

EMNRD reports the SPD currently houses the Region 4 office on four acres of this property. It is the intent of the SPD to relocate this office to the EMNRD Oil Conservation Division field office in Artesia.

TECHNICAL ISSUES

SE recommends defining exactly what the water rights of the property are and suggests amending the resolution to require the Interstate Stream Commission to investigate use of the water rights and impacts of changes in use of the water rights on state line flows to Texas under the Pecos River Compact.

OTHER SUBSTANTIVE ISSUES

EMNRD reports if the SPD is not able to sell the Cottonwood Walnut property, it would be required to request special appropriation for the purchase of lands adjacent to state parks. This would most likely occur during a convened legislative session. When private property comes available for sale, the SPD must be in position to purchase such land, otherwise it could be sold to a private individual or entity.

Failure to purchase lands adjacent to state parks could allow urbanization encroachment, thus having a negative impact on cultural, historical and natural resources. It may also lead to a decline of visitation and revenue.

LAT/prr