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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/11

SPONSOR Kernan LAST UPDATED HB

SHORT TITLE Lease, Sale or Trade Real Property in Hobbs SJR 8

ANALYST Archuleta

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	*See Fiscal Impact	*See Fiscal Impact	*See Fiscal Impact			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 8 authorizes the Property Control Division (PCD) to sell 3.09 vacant acres of real property located in Hobbs to “Tierra Exploration, incorporated” at a value of not less than the appraised market value, if it is determined that the property is not needed by the state, and provided that other approvals required by law are obtained.

FISCAL IMPLICATIONS

Depending on the specific provisions of the sale, which are not addressed in SJR 8, the Oil Conservation Division (OCD) may have increased expenses after the sale. The parcel to be sold includes a water well which the OCD Hobbs District Office currently uses for irrigation. Access to the parcel to be sold will most likely be through the parking lot of the OCD Hobbs District Office, and that increased use could result in additional expenses to maintain the lot.

In addition, the sale of this property could adversely impact and limit future options regarding state agency location in Hobbs.

SIGNIFICANT ISSUES

GSD indicates the 3.09 acres is part of a 7.54 acre tract purchased in 1999 acquiring an existing facility to house the Oil Conservation Division of the Energy, Mineral and Natural Resources

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Department. A determination was made in 2004 to issue a short-term lease for the 3.09 acres to be used by an oil services company. A determination that the property was not excess and should be retained for future use was made in 2008. Currently, the Director of PCD, as well as the Deputy Director of Oil Conservation Division both agree that the property should be retained for unknown future needs by state agencies located in the Hobbs area. A written determination letter will be issued.

The Property Control Division of the State General Services Department has not made a determination that this piece of property is not needed by the state, and the property has not yet gone through the sale process. Presumably the legislature could ratify the sale before it occurs, giving a general ratification to any properly conducted sale of the property. But SJR 8 only ratifies the sale if it is to a specific buyer, “Tierra Exploration, incorporated,” before that sale has taken place. By limiting a future sale to a specific buyer SJR limits the ability of the state to obtain the highest price for the property and bypasses the procedures for selling state property.

TECHNICAL ISSUES

This bill proposes to sell 3.09 acres of a 7.54 acre tract of land in Hobbs, NM. NMSA 1978 Section 13-6-2 states “Providing a written determination has been made, a state agency...may sell or otherwise dispose of real property.”

OTHER SUBSTANTIVE ISSUES

EMNRD expressed concern that a determination was made that the property should be retained for future use. Any sale of this property without a determination from Property Control Division stating to dispose this property, is contrary to the Procurement Code. Without a written determination this SJR would be viewed unconstitutional.

The property at issue consists of 3.09 vacant acres of a 7.54 acre tract in Hobbs. The Hobbs District Office of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department is located on the remaining portion of the tract.

GSD indicates this property was leased, but the lease has expired, and no income is being realized. Income from leases of PCD-owned property provides an income stream for the Public Buildings Repair Fund.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PCD will continue to own and could continue to lease on a short-term basis, the land in Hobbs.

DA/bym