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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Sen. Wirth/Rep. Lujan</u>	<b>LAST UPDATED</b> <u>3/4/2025</u>
	<b>ORIGINAL DATE</b> <u>2/7/2025</u>
	<b>BILL</b> <u>Senate Bill</u>
<b>SHORT TITLE</b> <u>Board of Finance Approval for Land Sales</u>	<b>NUMBER</b> <u>274/aSFC</u>
	<b>ANALYST</b> <u>Ortega</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
BOF	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

#### Agency Analysis Received From

Department of Finance and Administration (DFA)

General Services Department (GSD)

Higher Education Department (HED)

New Mexico Mortgage Finance Authority (MFA)

#### Agency Analysis was Solicited but Not Received From

State Treasurer (STO)

Public Education Department (PED)

## SUMMARY

### Synopsis of SFC Amendment to Senate Bill 274

The Senate Finance Committee (SFC) amendment to Senate Bill 274 (SB274) adds language that extends the approval requirements for community colleges to sell or dispose of real or tangible personal property having a current resale value of more than \$30 thousand dollars if approved by the Higher Education Department (HED).

### Synopsis of Original Bill

Senate Bill 274 (SB274) amends existing New Mexico statute to increase financial thresholds for state agencies and local governments regarding the sale, trade, or lease of public property. Key changes include:

- Increased Disposal Value Limits – The threshold for disposing of obsolete, worn-out, or unusable tangible personal property without higher-level approval has increased from \$5,000 to \$30 thousand, with state agencies, local public bodies, and school districts now only needing approval if the property’s resale value exceeds \$30 thousand.

- State Board of Finance Oversight – Sales, trades, or leases of real property:
  - The bill would increase the property valuation threshold for State Board of Finance approval for a transaction from \$25 thousand to \$150 thousand.
  - The bill would increase the property valuation threshold for legislative approval for a transaction from \$100 thousand to \$550 thousand.
- Exemptions – Certain entities, including the State Land Office, State Transportation Commission, and specific higher education institutions, remain exempt from these requirements.
- Definitions – Replaces state educational institution with school district.

The effective date of this bill is July 1, 2025.

## FISCAL IMPLICATIONS

SB274 does not include an appropriation for its implementation and is not expected to have a significant fiscal impact. However, SB274 may result in administrative efficiencies that reduce staff workload and associated costs.

The Department of Finance and Administration (DFA) anticipates minimal fiscal impact on state and local entities, as state agencies and the Board of Finance are expected to absorb any administrative changes within existing staff and resources.

The General Services Department (GSD) states that SB274 also introduces new approval requirements for legislative exceptions. Any sale, trade, or lease of real property belonging to a state agency that exceeds 25 years in duration and involves a consideration of \$550,000 or more must be ratified and approved by the state legislature, an increase from the current \$100,000 threshold. GSD anticipates that by raising the approval thresholds for real property transactions, SB274 will generate administrative cost savings for the Facilities Management Division by reducing compliance workloads with the State Board of Finance.

The Higher Education Department (HED) anticipates minimal impact on HED and higher education institutions (HEIs). According to the department, the increased thresholds may reduce interactions with the State Board of Finance regarding tangible personal property transactions.

## SIGNIFICANT ISSUES

According to DFA, SB274's adjustments to approval thresholds are expected to streamline property disposition processes by reducing the number of transactions requiring state review and decreasing the time staff and board members spend on approvals. DFA notes, in 2024, the Board of Finance reviewed five real property sales, three of which would have been handled by DFA's Local Government Division under the proposed changes.

DFA notes that the proposed increases to approval thresholds reflect inflationary and market changes that have occurred since the values were last set. According to the department, because these thresholds have remained static, the requirement for approvals has become increasingly misaligned with the original intent of the statutes. DFA explains that state oversight of real and personal property transactions was originally designed to encompass higher-value transactions while allowing lower-value dispositions to proceed without extensive review. However, as

property values have increased, the requirement for state approval now applies to many low-value transactions, creating an administrative burden for counties, school districts, special districts, and community colleges.

HED notes that real property sales for higher education institutions will continue to follow existing requirements. Under New Mexico Administrative Code (NMAC) 5.3.10, which governs capital project approvals, higher education institutions must notify HED of any real property sale or trade exceeding an appraised value of \$100 thousand. This notice must include details such as a description of the property, a location map, the appraised value, the reason for disposition, anticipated revenue, and the intended use of proceeds. Additionally, per Section D of NMAC 5.3.10.13, institutions seeking state Board of Finance approval must submit additional documentation as required by board rules and regulations. The SFC amendment requires HED approval for community colleges to sell or dispose of property with a resale value over \$30 thousand dollars.

AO/rl/hg/sgs