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FISCAL IMPACT REPORT

SPONSOR: Altamirano DATE TYPED: 01/30/02 HB _____
 SHORT TITLE: Eagle Nest Lake Fund SB 127
 ANALYST: Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	\$15,000.0			Non-Recurring	General Fund
	\$2,000.0			Non-Recurring	Game Protection Fund
			\$682.1	Recurring	General Fund
			\$2,200.0	Recurring	Capital Improvement Funds

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	\$100.0	\$100.0	Recurring	Park Fees
	\$17,000.0		Non-Recurring	Eagle Nest Lake Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

- *Report of the Legislative Finance Committee to the Forty-fifth Legislature, Second Session, January 2002 for Fiscal Year 2002-2003.*
- Department of Game and Fish
- State Land Office (SLO)
- Energy, Minerals and Natural Resources Department (EMNRD)
- Office of the State Engineer (OSE)

SUMMARY

Synopsis of Bill

Senate Bill 127 appropriates \$15 million from the general fund and \$2.0 million from the game protection fund into a newly created fund, the “Eagle Nest Lake” fund. The fund will be administered by the Energy, Minerals and Natural Resources Department and invested by the State Investment Council. The bill references a purchase agreement, which has already been signed by all parties and outlines the term of the sale. The bill allows for the possibility of a land exchange in lieu of cash payment; however the purchase agreement does not request this option.

Brief History of Eagle Nest Lake Acquisition. During the 2000 legislative session, \$4 million was appropriated from the game protection fund for the lease (\$1.0 million) and down-payment for the purchase (\$3.0 million) of Eagle Nest Lake. The legislation also authorized the department to pursue acquisition on behalf of the state. The following year, the Legislature appropriated \$17 million to complete the purchase; however, the governor vetoed the entire capital appropriations bill, which included the funding for Eagle Nest Lake.

In the original purchase agreement, the state had an eight-year option to purchase the lake, whereby the CS Cattle Company would lease the lake to the state during that period of time. However, a revised purchase agreement was signed on July 10th, 2001, by the State Game Commission, which deleted the eight-year lease/purchase option and restricted the lease to March 31, 2002. Consequently, if funding is not appropriated in the 2002 legislative session, the lease will expire.

The current purchase agreement is based on \$20.0 million purchase price. SB 127 provides \$17.0 million. The remainder was appropriated two years ago. There may be an opportunity to replace a portion of the general fund appropriation with a higher level of appropriation from the Game Protection Fund.

Cash Balances of Game Protection Fund. Despite a slight drop in revenues, the game protection fund continues to show a healthy cash balance. As of July 2001, the cash balance was \$1.8 million higher than the same month a year ago although, a variety of obligations against the fund could drop the cash to a substantially lower amount. After paying these obligations and keeping a 15 percent reserve level, the fund would continue to show close to \$11 million. The unobligated cash balance represents an opportunity for the department to fund a higher portion of the Eagle Nest Lake acquisition or cover all or part of the dam rehabilitation work, discussed in the following paragraph.

Game Protection Fund	FY00	FY01	FY02
	<u>Actuals</u>	<u>Actuals</u>	<u>Estimated</u>
Beginning cash balance	\$ 20,456,706	\$ 22,896,746	\$ 20,583,348
Revenues	27,285,254	25,238,845	25,705,171
Expenditures	(20,313,104)	(22,104,075)	(22,017,100)
Other items impacting cash	(3,032,110)	(2,448,168)	(3,621,000)
<i>End cash balance</i>	<i>\$24,396,746</i>	<i>\$ 23,583,348</i>	<i>\$ 20,650,419</i>
Cash restrictions and obligations	(1,500,000)	(3,000,000)	(3,750,000)
Cash reserve requirement			(6,000,000)
Unobligated cash	\$ 22,896,746	\$ 20,583,348	<u>\$ 10,900,419</u>

\$6 Million Dam Rehabilitation. The Office of the State Engineer classifies the 85-yr old dam as a “high-hazard dam” and has estimated it requires \$6.0 million of improvements. The CS Cattle Company contracted with an engineering company to develop an estimated cost of dam repairs, reporting an amount of \$400.0. Pursuant to the purchase agreement, the state would shoulder the entire cost of dam rehabilitation. The Governor has supported a \$6.0 million special appropriation from the general fund for the State Engineer to complete the needed improvements.

Eagle Nest Lake State Park. Also in the executive budget, the Governor recommended \$639.8 from the general fund for the State Parks Division (SPD) to support 7.00 FTE to operate a new state park at Eagle Nest Lake. Additionally, SPD estimates that it will need \$2.2 million for capital improvements to develop the location into a state park. Based on visitation data from the Department of Game and Fish, the SPD estimates earned revenue of \$19.8. However, SPD has based these revenue estimates on an average revenue per visitor at \$0.79. The average revenue per visitor is conservative, and a more likely revenue target is \$100.0 in earned revenues.

FISCAL IMPLICATIONS

The bill appropriates \$17 million to the newly created Eagle Nest Lake fund: \$15 million from the general fund and \$2 million from the game protection fund. As discussed above, the operations of the new state park is estimated at \$639.8. In addition, the State Engineer would require a level of operating funds to maintain and operate the dam and has estimated 0.5 FTE additional staff. The cost for this staff person approximates to \$32.3 in salaries and benefits, \$10.0 for miscellaneous costs. Total operating costs are therefore \$682.1. Finally, an estimated \$2.2 million is needed to develop the location.

The department of game and fish has had ongoing operations at the lake. Consequently, it does not estimate additional funding requirements.

ADMINISTRATIVE IMPLICATIONS

Enactment of SB 127 would have an administrative impact commensurate with that described in the Fiscal Implications section.

MFV/ar/njw