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FISCAL IMPACT REPORT

ORIGINAL DATE 1-25-06

SPONSOR Rawson LAST UPDATED _____ HB _____

SHORT TITLE State Park Revenue Distribution to Counties SB 10

ANALYST Woods

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
N/A	(506.6)	(506.6)	Recurring	Parks Revenue

(Parenthesis () Indicate Expenditure Decreases) **NOTE: allocation of State Parks revenue to counties will have the effect of decreasing the revenue that the State Parks Division has to operate parks**

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

Senate Bill 10, which relates to state park and recreation revenues, provides for a distribution to certain counties of a portion of the revenues. Specifically, the legislation amends Section 1. Section 16-2-7 NMSA 1978 (being Laws 1935, Chapter 57, Section 7, as amended) as follows:

B. For the purpose of making distributions to county general funds pursuant to Subsection B of Section 16-2-19 NMSA 1978, after each calendar year, the secretary shall identify each park and recreation area in which the number of visitors in that calendar year exceeded the population of the county in which the park or recreation area, or any portion of the park or recreation area, is located. When setting user fees for those park and recreation areas, the secretary shall consider the effect of the distributions to the county general funds."

Additionally, Section 2. Section 16-2-19 NMSA 1978 (being Laws 1935, Chapter 57, Section 16, as amended) is amended to read:

B. For each park or recreation area identified by the secretary pursuant to Subsection B of Section 16-2-7 NMSA 1978, in the fiscal year following the identification, ten percent of the

revenue derived from the operation of the park or recreation area shall be distributed to the general fund of the county in which the park or recreation area, or any portion of the park or recreation area, is located."

For the purpose of this legislation, "secretary" refers to the secretary of the Energy, Minerals and Natural Resources Department.

FISCAL IMPLICATIONS

The Energy, Minerals and Natural Resources Department (EMNRD) notes that this legislation would impact the state parks program by diverting 10 percent of the revenue derived "from the operation of the park or recreation area" to counties in which the number of visitors in a calendar year exceeds the population of the county in which the park or recreation area or any portion of the park or recreation area is located. EMNRD adds that this legislation would negatively impact the state parks program resulting in:

- Poorly maintained facilities
- Potential State Park layoffs
- Higher fees and the attendant public outcry
- Increased demands on the general fund
- Compromised bond covenants and bonding capacity

EMNRD suggests that, based on county population estimates from the 2000 census, approximately 25 parks (74 percent) of the 34 State Parks would be impacted by this legislation. Transferring 10 percent of the revenue from these parks would amount to \$506.0 paid to counties. This would mean an annual decrease of \$506.0 in revenues retained for operation of the state parks, which equates to losing 10.7 percent of the total annual revenues for the state parks program. Unless revenues were raised in some way to compensate for this large loss, state parks might have to layoff employees, reduce facility maintenance, raise fees or receive additional appropriations from the general fund.

DFA indicates that the legislation will provide additional general fund revenue only to the counties in which state parks are located, as opposed to a wider, statewide disbursement. Further, that determining the amount of revenue on a calendar year vs. a fiscal year basis, may incur additional administrative costs.

SIGNIFICANT ISSUES

EMNRD indicates that the state parks program contributes \$200 million to New Mexico's economy annually. Although park visitation may increase costs for some counties in the areas of medical care, law enforcement, road maintenance, etc., the local economic benefits to these counties, many of which are rural and do not have a strong economic or population base, are considerable in terms of lodging, food, gas, gross receipt taxes and employment. For example, results from a 2002-2003 study by New Mexico State University concluded that a typical visitor to Elephant Butte Lake State Park spends an average of \$155.00 for a 2-3 day visit. These dollars are directly contributed to the local economy. Data from the New Mexico Dept. of Tourism for 2002 show that domestic travel expenditures for 2002 in Sierra County totaled \$23,765.0 with \$396.7 paid in local tax and \$1,347.5 paid in state tax. In 2002, 352 jobs in Sierra County were directly related to tourism. Finally, the entire municipality of Elephant Butte consists pri

marily of retirees whose property values and property tax rates are dependent on the presence and attractiveness of Elephant Butte Lake and operations of Elephant Butte Lake State Park. Similar situations exist elsewhere across New Mexico.

PERFORMANCE IMPLICATIONS

EMNRD notes that the state parks program legislative performance measure that tracks the “Self-generated revenue per visitor, in dollars” will be adversely affected by this legislation. Although a previous performance measure that tracked the “percent of general fund to total funds” was not recommended for FY07, State Parks continues to calculate this ratio and use this and other statistical data to determine how successful the Division is in meeting its statutory mandate “that each state park may be made as nearly self-supporting as possible.”

TECHNICAL ISSUES

EMNRD indicates that the proposed legislation doesn’t consider the fact that at least four lake parks are located in two different counties. Two of these parks (Navajo and Elephant Butte) account for half of the state parks visitation numbers. The bill language suggests that the program would pay 10 percent to each of these counties for a total loss of 20 percent of park revenue for these particular venues. Further, the program also derives revenue from sources other than park entrance and usage fees including sale of surplus equipment, boat excise fees, boat registrations and Governmental Gross Receipt Taxes, and it is unclear whether the legislation intends to include these sources in total revenue from which to calculate payments to counties.

OTHER SUBSTANTIVE ISSUES

EMNRD observes that the program relies on revenue to repay bonds backed by Governmental Gross Receipts Taxes and to match federal funds. If not made up in some other way, transfer of SPD revenue to counties would violate the non-impairment clause in NMSA 1978 § 7-1-6.38 and compromise the program’s ability to leverage additional federal funds.

BW/mt