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FISCAL IMPACT REPORT

SPONSOR: Coll DATE TYPED: 03/05/03 HB 897
 SHORT TITLE: Palace Endowment Permanent Fund SB _____
 ANALYST: Gonzales

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$2,000.0			Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	Indeterminate		Recurring	New Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Office of Cultural Affairs (OCA)
 Department of Finance Administration
 State Investment Council

SUMMARY

Synopsis of Bill

House Bill 897 appropriates \$2 million from the general fund to the Department of Finance and Administration for the purpose of matching grants and contributions from private sources made to the Palace Endowment Fund, created by this bill, to use for designing, acquiring, developing, constructing, buying or leasing materials for educational activities and museum exhibitions of the Palace of the Governors. The appropriation is for fiscal years 2004 through 2006. Distributions shall only to be made from the fund each fiscal year for up to five percent of the market value of the fund at the end of the previous calendar year, although no distribution can be made if the market value of the fund at the end of the previous calendar year is less than \$4 million.

Significant Issues

- Legislative appropriations can only be made to the fund if it is matched equally from private sources.
- Money in the funds shall be invested by the State Investment Officer as land grant permanent funds are invested. Income from the investment will be credited to the fund.
- When distributions are made from the fund, they are appropriated to the Board of Regents of the Museum of New Mexico for the purposes stated above.
- In order to receive the full \$2 million, matching funds of \$2 million must be matched by 2006 or the balance from the original \$2 million appropriation reverts to the general fund.
- Money in the fund will not revert or be transferred to any other fund.

The Museum of New Mexico Foundation is the fund-raising organization for the Museum of New Mexico facilities, including the Palace of the Governors. According to OCA, the Foundation has expressed commitment to raising the matching funds required in this legislation.

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 shall revert to the general fund.

It is expected the investment made for the Palace of the Governors will generate additional admission revenue for museum operations.

ADMINISTRATIVE IMPLICATIONS

There would be minimal staff time to administer the fund for the State Investment Council, Department of Finance and Administration and the Office of Cultural Affairs.

OTHER SUBSTANTIVE ISSUES

As noted by OCA, establishing this endowment will improve the ability of the Palace of the Governors to plan programs that will benefit the public. This would increase attendance and admissions revenues. This is especially crucial as the OCA and the museum begin construction on the new history museum, as part of the Palace complex in downtown Santa Fe. Private donors look to the financial health and sustainability of the organizations they support. This proposed Palace Endowment could strengthen the attractiveness of the Palace of Governors History Museum as worthy of donor support.

POSSIBLE QUESTIONS

- The Office of Cultural Affairs administers all funds for its divisions, including those for the Museum of New Mexico and its Palace of Governors. Should the distribution be made to the Museum of New Mexico Board of Regents as opposed to the Office of Cultural Affairs?

JMG/njw