

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Stewart DATE TYPED 1/19/05 HB 6

SHORT TITLE State Fair Commission Appropriation Act SB _____

ANALYST Hadwiger

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	14,555.8			Recurring	State Fair Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	14,555.8		Recurring	State Fair Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Legislative Finance Committee Report for Fiscal Year 2005 - 2006

SUMMARY

Synopsis of Bill

House Bill 6 appropriates \$14.6 million to the New Mexico State Fair. The bill reflects the Legislative Finance Committee (LFC) recommendation for the Fair FY06 budget. HB6 also shows projected performance measures and targets.

Significant Issues

For FY06, the State Fair requested growth in its budget of \$734.2 thousand or 5.5 percent, including a \$442.9 thousand increase for temporary employees. This request does not include

additional revenues and expenditures pursuant to Chapter 119, Laws 2004. The LFC recommends a \$1.3 million increase in the State Fair budget reflecting an additional \$1.3 million in pari-mutuel revenues. However, no additional enterprise revenues are projected due to declining attendance at recent fairs and an operating loss of \$219.8 thousand in FY04. Appropriations are reduced to reflect actual filling of positions at the fair. Technical changes are made to match the insurance charges set by the Department of Finance and Administration and actual debt service payments due in FY06.

Fair revenues/operating balance. According to the State Fair's December income statement, Fair revenues are \$522 thousand lower during the first six months in FY05 than during the same period in FY04. The State Fair's balance sheet indicates there is a negative balance in the operations account.

Fair attendance. One of the challenges facing the State Fair Commission every year is to develop a strategy to sustain or expand attendance. Paid attendance at the State Fair has declined almost every year since 1998 when the fair drew 641,000 visitors. Despite an additional day this year, paid attendance at the 2004 State Fair was 503,000, a drop of 21.5 percent from the 1998 level and 4 percent from the 2003 level.

Concert attendance. The Tingley Coliseum acts drew disappointing crowds in 2004. The headliner, Reba McEntire, sold only 4,000 tickets, less than half of capacity. Clay Aiken (from "American Idol") sold 3,100 tickets; Chubby Checker, 900 tickets; and, the gospel group Mighty Clouds of Joy, 400 tickets.

Children's attractions. The major successes of the 2004 fair were events targeted at youth. The McDonald's Farm, staffed by volunteers, allowed children to move through various venues representing the process whereby food is grown and harvested. Children who visited the exhibit received healthy snacks at the end of the trek as compensation. An estimated 60,000 children visited the exhibit. Another success was the junior livestock auction, which raised a record \$450 thousand.

Fair staffing and vacant positions. In recent years, the fair has maintained a high vacancy rate among its authorized permanent and term positions. In FY04, on average, 22 percent of the authorized positions were vacant. The FY05 budget added 21 positions at the fair, resulting in a 36.5 percent vacancy rate through September. Two of the positions have been vacant since 2002; six more have been vacant since 2003. The LFC recommendation deletes these eight positions and applies a 5 percent vacancy rate to nonexempt salaries. With these changes, funding for personal services would increase 2.3 percent from the FY05 level.

Capital Improvements and the New Mexico Finance Authority Bond. The New Mexico Finance Authority (NMFA) and Board of Finance have approved the issuance of \$5.55 million of revenue bonds for capital and infrastructure improvements at the fairgrounds, including upgrade of sewage and water lines, paving, roof repair and replacement, structural repair, and construction of new buildings. The bonds would be retired with revenues from the pari-mutuel tax pursuant to Chapter 119, Laws of 2004. Consistent with the bond resolution and other documents, the Committee recommendation budgets the pari-mutuel tax revenues for debt service on the NMFA bonds and for other capital improvements.

POSSIBLE QUESTIONS

1. Why are State Fair revenues about \$500 thousand lower in the first half of FY05 than in the first half of FY04?
2. Does the Fair have sufficient funds to make payroll without borrowing or running an operating deficit?
3. What will the Fair do in 2005 to increase attendance and revenues?
4. What is the current status of the Fair's plans to build a casino on Central Avenue in Albuquerque? Have plans been completed for this project? How will the project be funded given the current revenue outlook?

DH/yr