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FISCAL IMPACT REPORT

SPONSOR HGUAC **DATE TYPED** 3/6/05 **HB** 946/HGUACS/aHAFC
SHORT TITLE State Museum Exhibit Fund **SB** _____
ANALYST Hadwiger

APPROPRIATION (in \$000s)

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY06	FY07		
			\$360.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (in \$000s)

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		(\$360.0)	Recurring	General Fund
		\$360.0	Recurring	State Museums Improvements and Exhibits Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Cultural Affairs Department (DCA)

SUMMARY

Synopsis of HAFC Amendment

The amendment would provide that revenues earned by a particular division of DCA would be expended by that division.

Synopsis of HGUAC Substitute

The HGUAC substitute for House Bill 946 creates a State Museums Improvements and Exhibits Fund consisting of money appropriated to the fund, gifts, grants, donations, interest income, and fifteen percent of the state museum and monument admission fees and rentals. Money in the fund would be appropriated to DCA. Unexpended balances would not revert. Funds would be

used for development, implementation and maintenance of exhibitions at state museums and for maintenance and repairs of museum facilities. The bill would be effective July 1, 2006.

Significant Issues

The fund would provide DCA with a dedicated source of revenues for development of exhibits and maintenance of facilities.

Currently, each museum is supported by a foundation that raises funds to pay for costs for exhibits. The foundations raise funds for educational programs, collections, exhibits, capital improvements, and other special programs. The foundations generate revenues from the museum gift shops, memberships, and a wide range of fundraising activities. Foundation funds are not budgeted in annual appropriations and are not used for general operating expenses. In FY03, LFC staff gathered information on foundation support at just five of the DCA museums, showing that the five foundations generated \$2.85 million in support for these facilities and programs.

Additionally, the legislature has generally given DCA nonreverting appropriations, allowing the agency to retain its general fund and other revenues from one year to the next.

FISCAL IMPLICATIONS

If enacted, HB946/HGUACS would move about \$360,000 in DCA operating revenues into the State Museums Improvements and Exhibits Fund beginning in FY07. This would have one or more of following three consequences for DCA funding and operations: 1) reductions in staff and programs at the museums and monuments due to reduced operating funds, 2) increased general fund appropriations to backfill the lost admission and rental revenues, or 3) use of revenues in the new fund to pay for current operational costs that meet the specified uses for the fund. DCA anticipates that the additional revenues may be used to enhance exhibits sufficiently to minimize or eliminate the need for additional General Fund support in FY07 and beyond.

It should be noted that total recurring General Fund revenues are projected to increase only 0.3 percent from FY06 to FY07 according to the February 2005 consensus revenue estimates, so additional General Fund revenues may not be available to backfill the lost fee revenues to support DCA operations in FY07.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

POSSIBLE QUESTIONS

1. How would DCA adjust its operations to accommodate the loss of admission revenues for operations in FY07?
2. How would the additional funds be used to enhance the attractiveness of its museums to cultural tourists?