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## FISCAL IMPACT REPORT

ORIGINAL DATE 2-7-06

SPONSOR Varela LAST UPDATED \_\_\_\_\_ HB 597

SHORT TITLE STATE AGENCY VOUCHERING THROUGH DFA SB \_\_\_\_\_

ANALYST Hadwiger

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	None		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)

New Mexico State Fair (Fair)

### SUMMARY

#### Synopsis of Bill

House Bill 597 would require the State Fair, New Mexico Livestock Board, and Public School Insurance Authority to process agency vouchers/expenditures through the Department of Finance and Administration (DFA). The bill would also establish a State Fair Fund in the state treasury to hold all revenues generated by the Fair, except for revenue pledged to pay bonds. Money in the fund would not revert, would be administered by the Fair and would be appropriated to the Fair to carry out its purposes and duties. The Public School Insurance Fund would be placed in the state treasury. All premiums and other money collected by the Public School Insurance Authority would be deposited into the Public School Insurance Fund. The Livestock Board Fund would also be placed into the state treasury. Both of these funds would be non-reverting and comprised of revenues generated by their respective agencies.

### FISCAL IMPLICATIONS

DFA did not anticipate a fiscal impact. The State Fair indicated the fiscal impact is difficult to determine, but would include increased cost in upgrading telephonic equipment to support information transmittal to DFA, purchasing new financial software to integrate with Financial

Control Division, and training of staff. The Fair also anticipated significant costs to deliver documents to DFA to Santa Fe.

### Continuing Appropriations language

This bill creates new funds and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

## **SIGNIFICANT ISSUES**

DFA indicated that there are two significant issues related to this bill:

1. The funds and agency impacted by this bill are the only significant New Mexico state government entities that currently, under law, have the authority to not voucher through the Department of Finance and Administration. This means the expenditures of these agencies are not subject to the pre-audit and post audit activities of the Department of Finance and Administration. Consequently, independent controls do not exist over the expenditures of these entities.
2. The State Fair Commission has long held that, as an enterprise, the fair is unique, making compliance with centralized controls too cumbersome.

The State Fair noted that the Fair has a unique task to hold an annual event of exhibition and display of a wide variety of products, services, and pursuits. The powers given to the Fair Commission are sufficiently broad, enabling the Commission to utilize a wide range of activities (year round) to financially support this effort. Accomplishing this mission requires the ability to respond to situations quickly. This includes obligations (contracts and purchase orders) and payments. Familiarization with the nature of the Fair's business is crucial in planning and performing many of the tasks directly impacted by this proposed legislation. Examples are:

- The Fair's purchasing activity levels are cyclical, being directly impacted by the significance of the annual event. In FY05 the Fair issued approximately 1,704 purchase orders, with 565, (33%) occurring in the months of August and September.
- Similar patterns are reflected in the payment vouchers issued. In FY05 approximately 5,903 payment vouchers were issued. Payments made during the months of August and September comprised 19% of the total payments. Of these fairtime payments, approximately 1,000 warrants for \$1.00 to \$10.00 are issued as premium awards for entries with payment due within a week of award. In order to meet this deadline, the Fair has required one full time person preparing only premium payments. During fairtime, payments are often required immediately upon completion of service (especially with performers). Processing these payments through Financial Control Division would severely impact our ability to attract performers and would remove our ability to comply with accepted established entertainment standards.
- Employment levels serve as an additional reflection of the cyclical impact on Fair activity. The Fair employs approximately 200 people on a year-round basis. (We currently have 77 FTEs/123 temporary). During the annual event, employment increases to approximately 1,000. This means that the agency hires four times its normal staff during fairtime. Processing employment paperwork and payroll through Central Payroll would directly impact our ability to respond to employment level needs in a timely manner.
- The significant use of temporary employees is accompanied by sizeable turnover. A

- timecard system is utilized to monitor employee work hours.
- The account codes used for the Fair's accounting system have been developed to facilitate the reporting of information useful in our particular industry. We currently provide financial reports on a monthly basis to DFA and LFC, including a standard budget status reports and projections.
  - The timing of the annual event (September) would likely impact the agency's ability to complete its audit within sixty days of notification of readiness.

### **ADMINISTRATIVE IMPLICATIONS**

The Fair indicated that this change of financial records processing would require significant alterations in the Fair's current business procedures and practices. Due to the unusual nature of the business operations at the Fair, warrants must sometimes be approved and paid immediately. In certain instances terms with vendors are very short and it would not be efficient to voucher through Financial Control Division. When working on public events emergencies occasionally arise and supplies must be purchased immediately. The entire timetable to accomplish the agency mission would be significantly altered, increasing staff levels, costs, and negatively impacting entry level participation, ability to attract entertainers, and overall responsiveness.

DH/mt