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FISCAL IMPACT REPORT

ORIGINAL DATE 01/20/10

SPONSOR Stewart LAST UPDATED _____ HB 6

SHORT TITLE State Fair Commission Appropriation Act SB _____

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	\$13,858.5	Recurring	Other State Funds
	\$370.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
	\$13,858.5		Recurring	Other State Funds

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Report of the Legislative Finance Committee to the Forty-Ninth Legislature, Second Session, January 2010 for Fiscal Year 2011, Volume II, pp. 159-160.

Responses Received From

New Mexico State Fair Commission (Expo NM)

SUMMARY

Synopsis of Bill

House Bill 6 appropriates \$13,488.5 in other state funds and \$370.0 from the general fund to the New Mexico State Fair Commission. The bill reflects the LFC budget recommendation and includes performance measures and targets and language for the expenditure of certain appropriations.

FISCAL IMPLICATIONS

The appropriation of \$13,488.5 contained in this bill is a recurring expense to other state funds and \$370.0 is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY11 shall revert to the state fair fund and general fund accordingly.

SIGNIFICANT ISSUES

HB 6 reflects the Legislative Finance Committee (LFC) recommendation for the agency as well as performance measures and targets and appropriation language.

As an enterprise agency the fair uses revenues derived from admission, concession, building rental, and other services to cover the fair's operations. The African American Performing Arts Center (AAPAC) which resides on the fairgrounds receives general fund monies for its operations.

House Bill 6 appropriation of \$13,858.5 includes a base reduction of \$1.2 million, or 8.4 percent, for the operation of the State Fair. The recommendation is attributed to the following:

- In FY09, \$549.1 thousand was appropriated in supplemental funding to cover revenue shortfall and temporary labor costs.
- In FY09, a budget adjustment request for \$725 thousand was submitted to cover salaries for temporary employees hired for events. Note: the FY11 recommendation included in HB 6 funds temporary employees at \$2.2 million.
- The agency has a running cash deficit of approximately \$1 million, which the agency needs to address.

Expo NM states the recommendation is conservative when compared to historical actual agency results from FY08-09.

The general fund recommendation for the AAPAC was reduced subsequent to the Special Session when the executive ordered a 5% decrease in general fund; the LFC recommendation further reduces the general fund for FY11 by 10% due to the decline in available general fund. Expo NM expresses concern for additional cuts to AAPAC stating it may be difficult for these programs to sustain their excellence given the magnitude of the funding reduction.

The bill deletes 5 FTE for the following reasons:

- Over the last three fiscal years the agency has averaged a vacancy rate of 19 percent.
- During FY 09 the agency had five unauthorized positions; the 2009 General Appropriation Act authorized and funded 78 FTE while the agency budgeted for 83 FTE.

Language in the bill authorizes \$695,000 from pari-mutuel tax revenues for debt service on negotiable bonds issued for capital improvements and earmarks the general fund appropriation of \$370,000 for the operation of the African American Performing Arts Center and Exhibit Hall.

The bill includes performance measures and targets recommended by the fair.

PERFORMANCE IMPLICATIONS

The bill supports the agencies request for performance measures and the target levels. However, the fair expresses concern based on the decline in annual attendance it is not reasonable to expect \$500,000 paid attendees at the annual event or 650,000 in total attendance.

DUPLICATION

The bill will be incorporated into the General Appropriation Act (HB 2).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Unless a duplicate appropriations act provides for a FY 2011 Operating Budget for the New Mexico State Fair Commission, the fair will not have a budget for fiscal year 2011 to meet its statutory mandates.

POSSIBLE QUESTIONS

1. What ways will the fair cut costs and increase profit?
2. Not including the annual state fair event what other revenue generating activities which significantly contribute to the overall revenue?
3. Is the fair moving forward with the Governor appointed task force that was named in 2008? Will the fairgrounds be redeveloped?
4. Will construction of updated equestrian facility increase revenue? If so, by how much?
5. What is the status of the contract with the Downs of Albuquerque relating to HJR 19 passed during the 2009 Legislative Session?

JLL/svb:mew