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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/11

SPONSOR Stewart LAST UPDATED \_\_\_\_\_ HB 6

SHORT TITLE State Fair Commission Appropriation Act SB \_\_\_\_\_

ANALYST Soderquist

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	\$318.6	Recurring	General Fund
	\$13,082.8	Recurring	OSF and ISF

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$318.6		Recurring	General Fund
	\$13,082.8			OSF,ISF

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$42.4		\$42.4	Recurring	OSF and ISF

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
New Mexico State Fair

## SUMMARY

### Synopsis of Bill

House Bill 6 appropriates and authorizes expenditures for the State Fair Commission Act and appropriates \$13,401,400 from the general fund, other state funds, and internal service funds to the New Mexico State Fair for the purpose of professionally operating year-round events and entertainment and to maintain event venues for public use and benefit that help build the infrastructure for the annual New Mexico State Fair. The bill reflects the LFC budget recommendation and includes performance measures and targets and language for the expenditure of certain appropriations.

## FISCAL IMPLICATIONS

As an enterprise operation, revenues must be generated to cover expenses. From FY09 to FY10, the State Fair decreased its operating deficit by \$1.1 million, from \$3 million to \$1.9 million. The majority of this decrease has occurred through the reduction of personnel expenses. The preliminary revenue total for the 2010 New Mexico State Fair was \$6.2 million, a 14 percent increase over the revenue total for the 2009 State Fair. The management decision to close days where attendance was sub-optimal and focus on days where attendance and spending increased suggests State Fair management have identified a positive model for operation.

The largest current single account payable expense for the State Fair is \$1.3 million owed for the General Services Department insurance premium. This account is being paid in increments designed to pay off the debt in 2.5 years in increments of \$20 thousand payments every other week.

A two year lease extension allowing the Downs at Albuquerque to operate at EXPO New Mexico expires at the end of December 2011. The New Mexico State Fair receives \$2 million under this agreement and there will be significant fiscal implications if it is not renewed.

The State Fair receives capital outlay funding each year for facilities upgrades and infrastructure deficiencies. The FY12 Capital Outlay request for the State Fair totals \$4 million for both critical and deferred projects. The critical projects request is required to bring existing facilities in compliance with codes. In FY11, the State Fair received nearly \$3 million in capital outlay funding.

The internal service funds/interagency transfers appropriation includes \$695,000 from parimutual revenues for debt service and debt service interest on negotiable bonds issued for capital improvements.

The appropriation of \$13,401,400 contained in this bill is a recurring expense to the general fund, other state funds, and internal service funds. Any unexpended or unencumbered balance remaining at the end of FY12 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.

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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 \$13,401.4 includes a base reduction of \$466.2 thousand from the Adjusted FY11 budget, or 3.4 percent. The recommendation is attributable to reductions in personnel and contractual services. Technical reductions to GSD rates, employee health care, and retirement as recommended by the LFC are included in the reductions.

The State Fair will need to effectively address expenses related to exempt and temporary positions, including overtime. The agency currently has six exempt positions that account for approximately \$477 thousand in salaries and benefits. The current bill reduces exempt positions to 2.

The agency currently has 20 vacancies, including positions in business operations, human resources, information technology, accounting and audits, landscaping, and facilities maintenance. The high number of vacancies reflects both the need to transfer revenue to unauthorized positions and the lack of sufficient revenue to fill authorized positions. The current bill decreases the number of authorized FTE from 73 to 63.

The bill includes 10 percent general fund reductions for the African American Performing Arts Center and Charlie Morrissey Education Center.

### **PERFORMANCE IMPLICATIONS**

Performance measures outlined in HB 6 are consistent with prior years. The bill will not negatively impact these measures.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

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 funding for an FY12 operating budget, the New Mexico State Fair will not receive appropriations and will not be able to meet its obligations or fulfill its mission.

### **POSSIBLE QUESTIONS**

1. What is the management plan to decrease costs associated with personnel services and employee benefits at the State Fair?
2. What is the current situation on the renewal of the lease with the Downs of Albuquerque?
3. What amount of capital outlay funding required to bring the infrastructure of Expo New Mexico to standard?
4. How many days will the State Fair be open in 2011, and what are your reasons for this decision?