

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

FISCAL IMPACT REPORT

SPONSOR <u>Hernandez</u>	LAST UPDATED <u>3/3/2023</u> ORIGINAL DATE <u>2/20/2023</u>
SHORT TITLE <u>Tourism Excellence Bureau</u>	BILL NUMBER <u>House Bill 377/aHCEDC/aHAFC/aHFI#1</u>
ANALYST <u>Dick-Peddie</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Tourism FTE	\$0.0	\$200.0	\$200.0	\$400.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)

New Mexico Tourism Department (NMTD)

No Response Received

Economic Development Department (EDD)

SUMMARY

Synopsis of HFI#1 Amendment to House Bill 377

The House Floor amendment HB377 to add the phrase “as requested” after the word “programs” on page 2. The amendment clarifies that agencies are not required to participate in the unified marketing bureau, but may elect to.

Synopsis of HAFC Amendment to House Bill 377

The House Appropriations and Finance Committee undoes the second HCEDC amendment, making the legislation effective July 1, 2024.

Synopsis of HCEDC Amendment to House Bill 377

The House Commerce and Economic Development Committee strikes the appropriation from the bill and makes the legislation effective in FY25.

Synopsis of Original Bill

House Bill 377 appropriates \$50 million to the Tourism Department for the purpose of creating a marketing excellence bureau.

The bill creates a new section of the Tourism Department Act, establishing a marketing excellence bureau. The bureau would serve as a central marketing arm for all the state's executive agencies. It would also provide guidance and training related to marketing efforts, support strategy alignment and develop efficiencies, assist agencies in developing new market strategies and technology solutions. The bureau would lead asset creation and advertising placements for the Economic Development Corporation, and for all executive branch agencies and marketing and public education programs. Finally, the legislation amends the Economic Development Corporation Act to deem it an executive branch agency for purposes of receiving marketing services from the Tourism Department.

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

There is no appropriation contained in the bill. Because the legislation creates a permanent bureau within the department with wide-ranging responsibilities, this analysis assumes the department would need at least 2 additional FTE, at a recurring cost of \$200 thousand, reflected in the additional operating costs table.

Currently, the Legislature appropriates marketing funding to the Tourism Department (NMTD) through large, nonrecurring appropriations. This allows the department to budget campaigns for the whole year and buy media in bulk, ultimately saving money. Since 2021, the department has received \$37 million in one-time appropriations for marketing, and grown its recurring marketing budget from \$9 million to just over \$11 million. The House Appropriations and Finance Committee Substitute for House Bill 2 currently appropriates approximately \$15 million to the department for marketing, including \$13.5 million in one-time funding for national and local marketing initiatives and just over \$1 million in recurring marketing funding.

SIGNIFICANT ISSUES

The legislation could help address duplication of marketing strategies in the state. Several state agencies already take advantage of the Tourism Department's marketing expertise, including the Department of Health, which contracted with NMTD in 2021 to distribute vaccination information and the Workforce Solutions Department which partnered with NMTD to create a website connecting unemployed individuals with job opening in the leisure and hospitality industry. Other agencies have sought funding for internal marketing campaigns. For example, the Economic Development Department requested \$3 million for an internal marketing budget to attract businesses to the state. The Tourism Department notes that currently, executive agencies are not equipped to manage internal marketing campaigns. NMTD uses dozens of performance outcomes to measure the success of various campaigns, which takes staff time and expertise not readily available in other agencies. If agencies do not contract with the department, they often contract third party marketing firms at a significantly higher price.

While a centralized bureau would mitigate much of this redundancy, the Legislature would have to work closely with the executive to eliminate or consolidate existing marketing funding within agencies. The bureau would also have to collaborate closely with other existing entities, such as the New Mexico Partnership and its board, to ensure all marketing goals, strategies, and objectives are aligned.

TECHNICAL ISSUES

The New Mexico Attorney General noted concerns about amending the Economic Development Corporation Act:

By making the corporation formed pursuant to the Economic Development Corporation Act a government agency for some purposes, where currently NMSA 1978 § 53-7A-6 explicitly prohibits treating that corporation as an agency, public body, or other political subdivision of New Mexico for purposes of applying laws relating to personnel, procurement of goods and services, gross receipts tax, disposition or acquisition of property, capital outlays and per diem and mileage, SB 377 may open that corporation to collateral attempts to treat it as a government agency for other purposes.

Judicial Branch agencies are ineligible to use the excellence bureau under the bill. Judicial Branch agencies, such as the Public Defender Department and the District Attorneys attend conferences, career fairs, and distribute marketing materials to recruit attorneys.

ADP/al/ne/rl/hg/mg/rl/ne/al