

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

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR Carraro DATE TYPED 2/9/04 HB

SHORT TITLE Tourism Promotion Program SB 564

ANALYST Collard

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	\$20,000.0			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 110

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Tourism Department

Economic Development Department

Energy, Minerals and Natural Resources Department – State Parks Division

### SUMMARY

#### Synopsis of Bill

Senate Bill 564 appropriates \$20 million from the general fund to the Tourism Department for the purpose of promoting tourism in New Mexico.

### FISCAL IMPLICATIONS

The appropriation of \$20 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY05 shall revert to the general fund.

The Energy, Minerals and Natural Resources Department – State Parks Division indicates increased visitation generated from additional advertising and promotional campaigns will generate corresponding increases in revenue generated by the department. Consequently the department will further meet the requirement to make the parks as self-supporting as possible as required in statute. Additionally, due to the economic impact state park visitors have on New Mexico tourism and the contribution to local economies, 5 percent of this appropriation should

be directly allocated to state parks advertising and promotions.

The Tourism Department was appropriated \$1.5 million dollars in FY04 for this purpose.

### **ADMINISTRATIVE IMPLICATIONS**

The Tourism Department indicates this funding request does not come from either the Tourism Department or the Governor's Office. Other than possibly expanding its co-operative marketing program with industry partners and aiding other state agencies, the Tourism Department is not currently in a position to handle a funding increase of this magnitude.

The Energy, Minerals and Natural Resources Department (EMNRD) – State Parks Division notes inclusion of New Mexico State Parks in the appropriation would allow EMNRD to increase tourism statewide, provide increased economic impact in our 56 communities and provide additional revenue for the state of New Mexico. An increase in visitation would impact EMNRD performance targets positively.

### **RELATIONSHIP**

Senate Bill 564 relates to House Bill 110, which appropriates \$1.5 million to the Tourism Department for the same purpose.

### **OTHER SUBSTANTIVE ISSUES**

The Tourism Department notes that tourism is the second largest industry in the state of New Mexico, bringing in over \$3.8 billion in 2003. The Tourism Department realizes a return of eight times on its advertising and promotion expenditures, which in turn benefits all state residents.

The Economic Development Department notes the Tourism Department to promote tourism on a much bigger scale than it currently does, for example, more funds could be distributed through cooperative advertising funds to communities for self promotion also more funds could also be distributed for film promotion and economic development initiatives in New Mexico communities.

The Energy, Minerals and Natural Resources Department – State Parks Division state this appropriation provides funding only to the Tourism Department for the advertising and promotion of tourism. Other agencies have significant impact in attracting visitors to the state, and have inadequate funding for promotion. The State Parks Division of EMNRD actively promotes recreational use of the thirty-one state parks and encourages travel throughout New Mexico. In recent surveys, the Tourism Department has identified all of the state parks as being among the top 100 tourism destinations in New Mexico.

EMNRD is committed to the creation of sustainable economic growth through the promotion of our natural, cultural and historical resources. Travel industry experts currently estimate that 80 percent of all future travel growth will come from active adventure, nature and cultural based tourism activities. EMNRD offers all the necessary elements needed to entice this growing market.

It is estimated that 70 percent of the state's population in 56 communities are located within two to forty miles of a state park. These communities derive an economic benefit, either direct or indirect, from more than four million visitors to state parks through the sale of fuel, food, recreational equipment and lodging. A 2002 New Mexico State University survey of state park visitors indicated state park visitors contributed more than \$104 million to local economies.

**KBC/yr**