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FISCAL IMPACT REPORT

SPONSOR SFC DATE TYPED 3/10/05 HB _____

SHORT TITLE Create State Museum Exhibit Fund SB 905/SFCS

ANALYST Hadwiger

APPROPRIATION (in \$000s)

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY06	FY07		
			\$360.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (in \$000s)

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		(\$360.0)	Recurring	General Fund
		\$360.0	Recurring	State Museums Improvements and Exhibits Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Cultural Affairs Department (CAD)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Senate Finance Committee Substitute

The Senate Finance Committee substitute for Senate Bill 905 creates a State Museums Improvements and Exhibits Fund consisting of money appropriated to the fund, gifts, grants, donations, interest income, and fifteen percent of the state museum and monument admission fees and rentals. Money in the fund would be appropriated to DCA. Unexpended balances would not revert. Funds would be used for development, implementation and maintenance of exhibitions at state museums and for maintenance and repairs of museum facilities. Revenues earned by a par-

ticular division of DCA would be expended by that division. The bill would be effective July 1, 2006.

Significant Issues

According to DCA, state museums receive general fund appropriations to fund operations, salaries, benefits, and supplies. As a rule, General Fund appropriations do not provide funding for exhibitions or for the upgrade of existing exhibitions. Exhibitions are a primary reason why museums can increase their attendance and revenues. DCA noted that each of the state museums has a partnership with a 501c3 foundation established to handle donations and exhibition funding. There may be some confusion regarding where a donor should make his donation.

PERFORMANCE IMPLICATIONS

The State museums are required to improve attendance figures and revenues. Exhibitions that target new audiences and encourage repeat visitation will increase attendance and revenue in the museums.

FISCAL IMPLICATIONS

If enacted, HB946/HGUACS would move about \$360,000 in DCA operating revenues into the State Museums Improvements and Exhibits Fund beginning in FY07. This would have one or more of following three consequences for DCA funding and operations: 1) reductions in staff and programs at the museums and monuments due to reduced operating funds, 2) increased general fund appropriations to backfill the lost admission and rental revenues, or 3) use of revenues in the new fund to pay for current operational costs that meet the specified uses for the fund. DCA anticipates that the additional revenues may be used to enhance exhibits sufficiently to minimize or eliminate the need for additional General Fund support in FY07 and beyond.

It should be noted that total recurring General Fund revenues are projected to increase only 0.3 percent from FY06 to FY07 according to the February 2005 consensus revenue estimates, so additional General Fund revenues may not be available to backfill the lost fee revenues to support DCA operations in FY07.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities. The continuing appropriation could be eliminated by striking “; MAKING AN APPROPRIATION” on page 1, line 13 and by striking “appropriated” on page 2, line 3 and inserting “subject to appropriation by the legislature” in lieu thereof.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates HB946.

TECHNICAL ISSUES

DCA recommended the following amendments:

Insert the word "state" before the word museums on line 14 of page two. (draft .154321.2).

Include amendments such as those being discussed for the Senate companion to this bill which would expand the exhibit fund concept to an enterprise-type fund which would also addresses other state funds from attendance revenue windfalls.

OTHER SUBSTANTIVE ISSUES

CAD sometimes accumulates relatively large sums of fee revenues and nonreverting appropriations and tends to allocate these funds to each facility as they generated revenues. This allows each museum to develop its own collections, but also dissipates the revenues without a central strategic plan for their expenditure. It might be useful to consolidate these revenues to attract one international-reputation exhibit each year in order to generate more cultural tourism.

DH/lg:yr