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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED 1/18/07 **HB** 5

SPONSOR Stewart

SHORT TITLE State Fair Commission Appropriation Act **SB** _____

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$14,865.6	Recurring	Other State Funds

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$14,865.6		Recurring	State Fair Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico State Fair (Expo New Mexico)

SUMMARY

Synopsis of Bill

House Bill 5 appropriates \$14,865.6 from other state funds to the New Mexico State Fair. The bill reflects the Legislative Finance Committee (LFC) recommendation for the agency as well as performance measures and targets.

FISCAL IMPLICATIONS

The appropriation of \$14,864.6 contained in this bill is a recurring expense to other state funds. Any unexpended or unencumbered balance remaining at the end of FY08 shall not revert.

SIGNIFICANT ISSUES

The attendance at the 2006 New Mexico State Fair increased by 40,000, up 7.5 percent from 2005. Revenue for fair admissions and events at Tingley Coliseum increased an average of 13 percent, while parking revenue decreased by six percent. The decrease in parking revenues is attributed to higher use of public transportation to the fair and slow turnover of parking spaces within fair-owned lots.

According to the agency, aging buildings and infrastructure have made a tremendous impact on the operation of the fair as an entertainment venue. The enterprise revenue generated is not sufficient to support the on-going maintenance, renovations, and improvements needed to bring the buildings and infrastructure to a level that can meet safe standards and the needs of the fair. The fair is nearly 70 years old, and most of the buildings and facilities are over 20 years old. The flagship Tingley Coliseum will turn 50 years old this year. The deferred maintenance and upgrades to facilities and infrastructure at the fair are due to a lack of capital funding over the years. With a dedication of a fraction of the tax on pari-mutuel betting approved in 2003, the state fair has been able to fund some critical capital projects, especially those related to life-safety and accessibility concerns. However, this revenue stream is not adequate to address the longer-range needs of the fair. Though the state fair is an enterprise agency and fully funds its operations from internal revenues, the agency depends on capital funding appropriations from the state for the upkeep of its facilities and infrastructure.

The local and regional markets for entertainment, exposition and equestrian facilities are becoming more competitive. The state fair also needs to update and expand its venues and services to fulfill its historic mission to educate the citizens of New Mexico about advancing science and technology and better align the programs of the state fair with the economic development initiatives of the state. To fulfill these needs, the agency projects a need of \$25 million in capital investments over the next five years for building and infrastructure renewal and replacements and another \$35million for new buildings and facilities to compete in today's environment.

In an attempt to increase enterprise revenue, the main source of agency funding, the commission has submitted a five-year capital outlay request for 2007 of \$58.7 million to continue on-going renovations to the facility and infrastructure improvements. Should the agency receive the total amount of capital outlay requested labor costs will be cut, efficiency will increase, and facilities will be in greater condition for leasing which will generate increased revenue. The agencies top three requests are \$25 million for a new exposition building, \$4.4 million for a new administration building, and \$938 thousand to continue restroom renovations throughout the grounds.

PERFORMANCE IMPLICATIONS

Statutorily known as the State Fair Commission, the agency revised its name to Expo New Mexico in recognition that the fair is not the only event taking place on the grounds. The agency

looks to various events throughout the year to increase revenue. Expo New Mexico has had to compete with other venues for entertainment during the state fair and throughout the year. Venues such as Sandia Resort & Casino, the Santa Ana Star Arena, and the Journal Pavilion are booking quality artists and trade shows. The addition of new facilities, including a \$60 million equestrian facility in Tulsa, Oklahoma, and the proposed equestrian facility located in Mesa Del Sol south of Albuquerque, Expo New Mexico is faced with increasing competition and the potential loss of revenue. The agency is aware they must formulate new and innovative marketing strategies to increase revenue. Currently the agency has no performance measures that track year-round revenue activities. The agency projects FY08 revenue to increase approximately \$2 million from rate increases for the state fair event, flea market rental, and parking admissions.

Rate Increases	2006	2007
State Fair Admission		
Child	\$ 3	\$ 5
Adult	\$ 5	\$ 7
Flea market space rental	\$ 15	\$ 20
Parking	\$ 3	\$ 4
Effective 2007		

ADMINISTRATIVE IMPLICATIONS

The “State Fair” annual event generates 53% of the annual revenue as well as 53% of the expenses. Expo New Mexico staff has worked diligently to increase the annual operating profit margin to 29% by lowering expenses and continuing to operate more efficiently.

To hold a successful event, 800 seasonal employees are hired at a cost of approximately \$1 million. In addition to the seasonal employees, another 120 temporary employees works at year-round events. These positions are not budgeted; consequently, operating costs must absorb the expense. The agency has 77 authorized (permanent or term) employees and four unauthorized governor-appointed positions. During FY06, on average 18 percent of authorized positions were vacant.

The operation of the Expo New Mexico 236-acre grounds requires a significant labor force from executives, professionals, skilled trades to grounds laborers year-round with personnel levels increasing 400% during the New Mexico State Fair. Many factors contribute to the increase in personnel services and benefits. In September 2006, the agency increased the hourly rate by 50 cents for all temporary and seasonal workers to better compete with the local and private sector service-industry. The New Mexico Department of Labor workforce specialists on staff indicated in July 2006 that the labor pool was down by over 50% from past years. There was a chance of a severe shortage of workers for the fair in September. One of the largest contributing factors to the labor pool shortage was the persistently low unemployment rate in this area leading to an increase in the average hourly rates in the local services industry. The city of Albuquerque has a new minimum hourly wage of \$6.75 that went into effect January 2007. Though legally not compelled to pay this wage, economically the agency needed to increase pay for temporary and seasonal workers.

A review of the organizational structure surfaced many misclassifications that lead management to do a much-needed reorganization of permanent staff. This included classifying positions to properly compensate employees for their work.

The agency has indicated costs associated with the internal reorganization of employees and cost of living salary may have a significant impact on the FY08 budget.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The state fair will not be authorized to use generated revenues for operations and will not be able to meet its statutory obligations.

POSSIBLE QUESTIONS

1. Given the increased competition, how does the agency plan to continue generating revenue?
2. On average over the past year, how many contracts have been lost to new entertainment or equestrian venues? What was its effect on revenue?
3. What will the agency do to ensure another successful New Mexico State Fair?

JL/csd