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FISCAL IMPACT REPORT

ORIGINAL DATE 2/14/07
 LAST UPDATED 2/15/07 HB _____

SPONSOR Cisneros

SHORT TITLE Marketing and Advertising of New Mexico SB 876

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$4,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 NM Tourism Department (NMTD)

SUMMARY

Synopsis of Bill

Senate Bill 876 appropriates \$4 million from the general fund to the Tourism Department to expand and promote tourism in New Mexico through marketing and advertising.

FISCAL IMPLICATIONS

The appropriation of \$4 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2008 shall revert to the general fund.

SIGNIFICANT ISSUES

NMTD spends about \$2.4 million in contracts with advertising agencies to market New Mexico. The principal advertising agency for the state is M&C Saatchi, a Los Angeles, CA, firm originally hired to run a statewide “branding” campaign. NMTD grants another \$1 million to cities, towns, and non-profit organizations around the state through its Cooperative Advertising Program. This appropriation would fund additional television advertising in markets identified

by the department and its advertising agency.

NMTD is concerned that New Mexico is losing ground to neighboring states in the use of advertising. The department cites a Travel Industry Association of America (TIA) study that ranks New Mexico at 39th in terms of advertising spending. NMTD notes that “Colorado recently increased its annual budget from \$6.5 million to a reported \$14.1 million. Arizona and Utah spend over \$10 million on advertising.” The department concludes that “additional legislative funding for advertising is imperative in order to be competitive with New Mexico’s bordering states.”

Yet tourism in New Mexico continues to grow, and NMTD indicates that tourism is a \$5 billion industry in New Mexico and the second largest private sector employer in the state. In 2006, TIA reported that the tourism industry in New Mexico generated more than \$322 million in state taxes and \$68 million in local taxes.

The Executive budget recommendation includes \$4 million for this initiative.

PERFORMANCE IMPLICATIONS

According to NMTD, this bill will positively affect three key NMTD performance measures; domestic market share, percent increase in lodger’s tax, unique website visitor sessions, and the impact of tourism in the state of New Mexico.

NMTD estimates that this incremental increase in advertising funding will generate \$160 million in additional visitor spending, equivalent to a 4 percent increase in total visitation. The incremental advertising dollars will be measured by enhanced perceptions of New Mexico, intent to travel, and actual visitation. A national research study has already been completed to establish benchmarks.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMTD will not have increased funding to promote and market the state.

ADMINISTRATIVE IMPLICATIONS

None identified.

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