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FISCAL IMPACT REPORT

ORIGINAL DATE 01/21/09
 LAST UPDATED 02/10/09 **HB** 6/aHHGAC

SPONSOR Stewart

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

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$14,664.0	Recurring	Other State Funds
	\$440.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$13,969.0		Recurring	State Fair Fund
	\$695.0		Recurring	Internal Services
	\$440.0		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico State Fair Commission (Expo New Mexico)

SUMMARY

Synopsis of HHGAC Amendment

Health and Government Affairs Committee amendment to HB 6 corrects a drafting error for the other category for other state funds to \$3,731.5. The amendment also changes a performance measure for the number of total attendees at annual state fair event to 690,000.

Synopsis of Original Bill

House Bill 6 appropriates \$14,664.0 in other state funds and \$440.0 from the general fund to the New Mexico State Fair Commission. HB 6 reflects the Legislative Finance Committee (LFC) recommendation for the agency as well as performance measures and targets.

FISCAL IMPLICATIONS

The appropriation of \$14,660.0 contained in this bill is a recurring expense to other state funds and \$440.0 is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY10 shall revert to the state fair fund and general fund accordingly.

SIGNIFICANT ISSUES

Expo New Mexico is an enterprise agency that uses revenues derived from admission, concession, building rental, and other services to cover fair operations. The 2008 New Mexico State Fair saw an overall decrease of 10 percent in revenues. There were revenue decreases in attendance, admission sales, art sales, carnival sales, concession and parking. There were revenue increases in Tingley and its concession sales.

Since 2005, the agency has received annual parimutuel tax revenues in the amount of \$1.2 million; \$965 thousand of the tax revenue pays debt service on a \$5.5 million negotiable bond issued by New Mexico Finance Authority. Funds derived from the bond are used for capital and infrastructure improvements on the fairgrounds. The bonds are scheduled to be paid in full by FY14. Although the agency uses parimutuel tax revenues to assist in maintaining the fairgrounds, capital outlay funds are essential to the upkeep of the facilities. According to the agency's four year infrastructure capital improvement plan (ICIP) an estimated \$77 million is needed for improvements to the fairgrounds. The top priority in FY10 is \$11 million for cultural, entertainment, and equestrian facility enhancements on the grounds.

As reported by the New Mexico State Fair Commission, HB 6 proposes a 10% reduction in general funds provided to the State Fair Commission when compared to the FY09 budget amounts. The overall recommendation is very reasonable when compared to historical actual agency results from FY07-08. State Fair management would like to see a redistribution of budget from contracted services to the personal services category to cover minimum wage increases that have impacted cost of seasonal temporary labor over the past several years.

To date, the agency has 11 governor-appointed positions. In FY08 the agency requested a budget adjustment request to cover nearly \$900 thousand in salaries for temporary employees hired for events. Approximately \$634 thousand was budgeted to fund the governor-appointed positions in FY08.

TECHNICAL ISSUES

The LFC recommendation reflects \$3,731.5 in the other category for other state funds, rather than the \$4,426.5 as contained in the bill. All subtotals and totals should be corrected accordingly.

OTHER SUBSTANTIVE ISSUES

In May 2008, the State Racing Commission approved the relocation of the Albuquerque Downs to Moriarty in 2010. The fair estimates it will incur a \$2.3 million loss in yearly rental revenue in its FY10 budget. It is anticipated the racetrack will be vacated by 2010. In response to the relocation, Governor Richardson appointed a 22 member task force to work with consultant CH Johnson to develop a master plan for the strategic and physical redevelopment of EXPO New Mexico.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

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

POSSIBLE QUESTIONS

1. What cost saving measures is the fair taking to ensure it will meet budget for FY10?
2. What are the outcomes of the Governor appointed State Fair Task Force to redevelop the fairgrounds? What is the timeline to redevelop the fairgrounds?
3. What is the status of the contract with the Downs of Albuquerque for FY10?

JL/mt:svb