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FISCAL IMPACT REPORT

ORIGINAL DATE 02/07/13

SPONSOR Munoz LAST UPDATED _____ HB _____

SHORT TITLE NM Promotion, Branding & Advertising SB 327

ANALYST Clark

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------------|------------------------------|------------------|
| FY13 | FY14 | | |
| | \$10,000.0 | Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 327 appropriates ten million dollars (\$10,000,000) from the general fund to the Economic Development Department for the purpose of promoting, branding, and advertising the state.

FISCAL IMPLICATIONS

The appropriation of ten million dollars (\$10,000,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2014 shall revert to the general fund.

SIGNIFICANT ISSUES

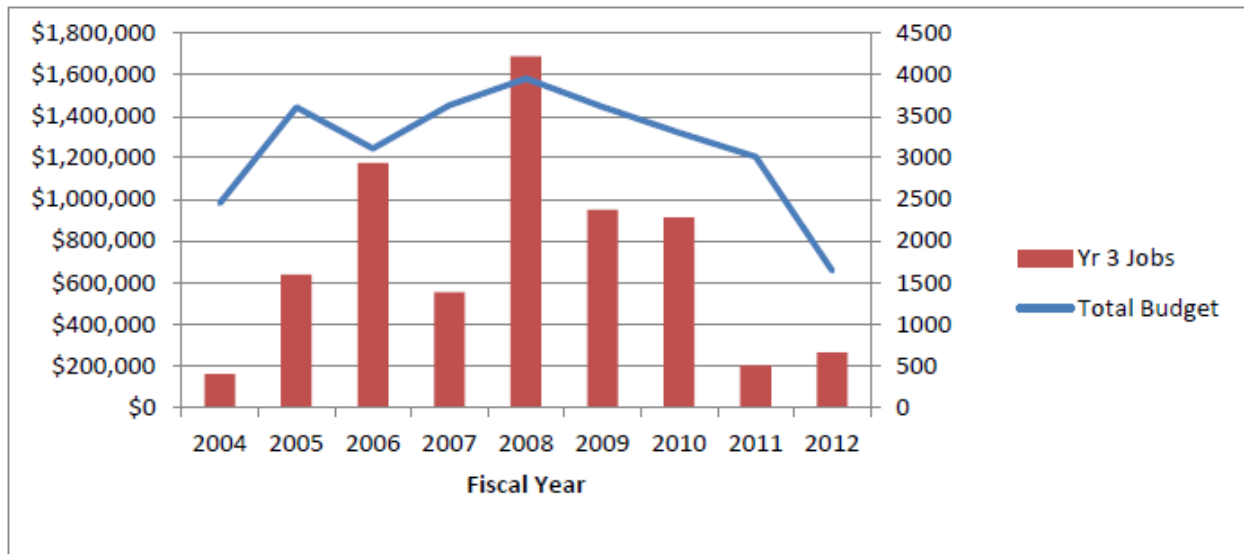
Currently the EDD promotes and advertises the state primarily through an annual contract with the New Mexico Economic Development Partnership (Partnership). The appropriation contained in this bill would increase expenditures by the EDD on promoting and advertising the state by 1,587 percent compared to the FY13 Partnership contract level of \$630 thousand. It represents an increase of 154 percent above the EDD FY13 operating budget of \$6.5 million.

The EDD reports New Mexico’s economic development funding is dramatically less than many competing states in the western U.S., as is the funding in many New Mexico communities. As an example, the Wyoming Business Council received \$77.7 million in state funding to operate in the years 2011 and 2012. In FY12, the Oklahoma Department of Commerce received \$24.9 million for economic development.

The Partnership, the contracted nonprofit that markets the state through sales missions, trade show participation, and advertising, has seen diminished success as its funding has been cut the last several fiscal years.

PERFORMANCE IMPLICATIONS

The EDD reports there is a demonstrated correlation between the numbers of jobs the Partnership has been able to recruit to the state with the amount of funding it has received. The following chart shows the Partnership’s historical budget compared with the organization’s three-year job announcements for each fiscal year.



ADMINISTRATIVE IMPLICATIONS

The EDD asserts administrative implications would be minimal as staff are already in place to implement an enhanced marketing program.

However, given this appropriation represents such a significant increase over existing budgets, it is likely the Partnership would need to hire substantial additional staff, and potentially relocate to offices large enough to accommodate the new staffing level, and both the EDD and the Partnership might need to hire contractors to assist with the marketing efforts.

OTHER SUBSTANTIVE ISSUES

Analysis by the EDD shows Site Selection Magazine annually reports the number of major business development projects by state, and the states are ranked in terms of new projects per 100,000 in population. New Mexico ranked 44th over three years, 2009-2011. In those three years New Mexico recruited 19 major new economic development projects, compared to 136 in

Arizona, 94 in Utah, 68 in Colorado, 56 in Nevada, and 40 in Idaho. There are a number of studies produced by the International Economic Development Council correlating marketing and promotion with successful business recruitment.

The Partnership conducts sales missions throughout the country, calling on companies and site selection consultants. The staff members regularly receive comments to the effect that many executives know very little about New Mexico and, therefore, do not think of this state when projects come to them. This indicates enhanced visibility for the state would be very beneficial.

Many communities participate in the sales mission and trade show visits organized by the Partnership and are heavily reliant on the organization to generate new business development projects through these efforts. The number of such marketing and recruitment trips the Partnership is able to undertake depends heavily on the funding made available through the contract with the EDD.

JC/svb