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FISCAL IMPACT REPORT

SPONSOR Papen **ORIGINAL DATE** 1/22/15
LAST UPDATED 3/18/15 **HB** _____

SHORT TITLE Expand Tourism Marketing & Promotion **SB** 168

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$3,500.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
	Indeterminate		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 307

Relates to HB 2

SOURCES OF INFORMATION

LFC Files

Responses Received From

Tourism Department (NMTD)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 168 appropriates \$3.5 million from the general fund to the Tourism Department to expand marketing and promotion of New Mexico as a tourist destination.

FISCAL IMPLICATIONS

The appropriation of \$3.5 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 2016 shall revert to the general fund.

A study performed under contract for the Tourism Department in 2013 determined the advertising campaign produced a three-to-one return on investment (ROI) at the overall state and local tax base level. After the study was published, job growth in the leisure and hospitality industry appeared to slow, but other industry-level data indicated record visitor spending, outpacing the national average growth rate. The department plans to conduct an updated ROI study during FY15.

SIGNIFICANT ISSUES

The Tourism Department's FY15 operating budget allocates 67 percent of the \$12.8 million general fund appropriation to advertising. This is an increase from 60 percent of the \$10.3 million appropriation in FY14. The proportion of the budget spent on advertising has risen each year since FY11, when 28 percent of the \$10.8 million appropriation was spent marketing the state.

The department received approximately \$2.5 million of additional advertising funding in FY15 for a total of \$8.6 million -- a significant increase from a low of \$3 million in FY11. The advertisements, initially targeting West Texas, Arizona, and Colorado, expanded to Chicago, New York, and farther into Texas (including Dallas and Houston) during FY15. The Tourism Department plans to use any increase in funding for FY16 to either enter the San Francisco market or increase advertising in New York and add a limited campaign in Los Angeles.

SIGNIFICANT ISSUES

In 2013, the tourism industry experienced a second record year of visitor and spending levels. According to an annual survey by Longwoods Travel USA, New Mexico set a new high of more than 32 million travelers, but the increase from 2012 was 200 thousand visitors, or less than 1 percent. Tourists spent nearly \$6 billion in New Mexico during 2013, an increase of \$300 million, or 7 percent. This spending growth significantly outpaced the national average of 4.5 percent.

The leisure and hospitality industry no longer leads job growth in New Mexico, falling from the fastest-growing industry in the state to fifth place at 1.7 percent. Throughout much of 2014, the industry lost jobs year-over-year in the Albuquerque area, and these losses dragged down the 2.8 percent industry job growth rate across the rest of the state.

DUPLICATION, RELATIONSHIP

The bill duplicates HB 307. The appropriation relates to HB 2, which includes an increase of \$1.5 million for "New Mexico True" advertising.

JC/je