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FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/09
 LAST UPDATED 03/09/09 **HB** 476/aHBIC

SPONSOR Vigil, R.

SHORT TITLE Expand MainStreet Art and Cultural Districts **SB** _____

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$250.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)
 Department of Cultural Affairs (DCA)
 Tourism Department (TD)

SUMMARY

Synopsis of HBIC Amendment

House Business and Industry Committee (HBIC) amendment expands the reach of the bill to include “other” communities. The amendment clarifies that the “other” applicant communities must receive an authorization by the New Mexico Arts Commission.

Synopsis of Original Bill

House Bill 476 appropriates two hundred fifty thousand dollars (\$250,000) from the general fund to the Economic Development Department (EDD) for the New Mexico MainStreet program to expand the number of arts and cultural districts in Raton, Los Alamos, Taos, and Albuquerque.

FISCAL IMPLICATIONS

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

The appropriation of two hundred fifty thousand dollars (\$250,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of 2010 shall revert to the general fund.

This bill would add \$250,000 to the current technical assistance budget of \$825,000. The New Mexico MainStreet Program also administers annual set-aside funding appropriated by the state legislature for the MainStreet Capital Outlay Fund.

SIGNIFICANT ISSUES

Enabling Legislation for the creation of Arts and Cultural Districts in New Mexico was passed without funding by the New Mexico State Legislature in 2007. Three state agencies (Department of Cultural Affairs (DCA), EDD, and Tourism Department (TD)) re-positioned existing funding to launch the first two successful pilot Arts and Cultural District Programs in Las Vegas and Silver City. No further resources are available to expand the program without new funds. The Arts and Cultural District initiative is a “place-based” and asset driven economic development strategy utilizing a strong public private partner relationship at the local level; the municipality, a community development program (MainStreet) and the local Arts Council.

Specifically, the New Mexico Arts & Cultural Districts Act supports municipalities in establishing local Arts & Cultural Districts; doubles the state historic preservation tax credit to \$50,000 in Arts & Cultural Districts; encourages broad definitions of the cultural economy to include a wide variety of knowledge workers, artists, artisans, performers, athletes, scientists, and writers; supports a diverse variety of cultural districts including downtown districts, production-oriented districts, institutional anchors, and agricultural (culinary). The Act is flexible to allow urban and rural communities to apply for official state designation. Las Vegas & Silver City were the first two communities designated last year. Additional funds are necessary in order to expand the initiative into additional communities.

The Arts and Cultural District Program was created to solidify and enhance cultural and heritage tourism in New Mexico. While there is administrative know how and skills to provide technical assistance and support from collaborating state agencies there is not enough funding to bring new districts into the program.

There are 17 communities currently interested in becoming a state-authorized district. Four communities have submitted applications to be authorized by the New Mexico Arts Commission this year.

Currently there is no funding available to add additional Arts and Cultural Districts. Funding (investment) is needed to enable the districts to become established entities within their communities and to become economic development and cultural tourism drivers.

The Department of Cultural Affairs has two divisions with required activities in the establishment, project review, and administration of Arts and Culture Districts.

PERFORMANCE IMPLICATIONS

The Pilot Districts have exceeded expectations set by the state review committee and the New Mexico Arts Commission, attracting grants for both physical planning and administration of each district. It is expected that local capacity will be met by the end of the two-year period with a sustainable organization to continue to build an economically healthy district for years after state technical assistance has ended.

From DCA, the New Mexico Arts and Historic Preservation divisions participate in the Arts and Cultural Districts program, in both the application review process (which makes recommendations to the New Mexico Arts Commission for approval) and in providing technical assistance to new and existing districts. However, without funding, it will be difficult to fully render this technical assistance to jump-start new districts and to insure all districts succeed and become the economic and cultural tourism drivers as envisioned in the enabling legislation.

It should be noted that technical advice and outreach are performance measures for DCA. The Cultural Properties Act of 1978 outlined the responsibilities of the Historic Preservation Division, including the preservation of cultural properties which contribute to the economic development, quality of life and rich cultural heritage of the State of New Mexico and its communities through increased economic activity, community pride, tourism and increase in gross receipts taxes. Projects in newly designated Arts and Cultural Districts that expect to see the benefit of the raised historic tax credit cap will still need to comply with existing program requirements for the DCA/Historic Preservation Division historic tax credit and loan programs.

ADMINISTRATIVE IMPLICATIONS

The original enabling legislation designates the MainStreet Program Director as the Coordinator of the State's Arts and Cultural Districts with a specific and significant role in assisting each state-authorized local district to meet the eligibility criteria in the state enabling legislation and to provide adequate technical assistance and resources to build capacity for a self-sustaining district. With the addition of a new FTE provided by the New Mexico Legislature in 2008 (an Assistant Director), there is adequate administrative staff within MainStreet to add new communities and administer the funds provided in this bill.

DCA Historic Preservation and New Mexico Arts division staff members, as well as members of the New Mexico Arts Commission and Cultural Properties Review Committee, will have some increased workload in project review and administration.

Increased promotion of and focus on the arts and culture offerings in these Main Street communities may result in increased visitation to and within New Mexico, a key measure of TD performance.

RELATIONSHIP

Relates to: HB 283 sponsored by Representative John Heaton is a "Clean Up" bill with language and further refinement of definitions recommended by the State Arts and Cultural District Coordinator, the New Mexico Arts Commission and the Economic Development Department based on a year and a half's experience with the initial pilot districts. It does not include funding. There is an additional relation to HB 391, SB 393.

TECHNICAL ISSUES

According to DCA, the inclusion of named communities in this bill conflicts with the authorizing legislation which names the New Mexico Arts Commission as the authorizing body for the state's Arts and Cultural Districts program. The Arts Commission has not yet authorized districts for FY2010. While the applications for the four named communities have been reviewed, the designation of the FY2010 new Arts and Cultural Districts has not yet been made.

OTHER SUBSTANTIVE ISSUES

According to the Tourism Department, cultural and heritage tourism contributes roughly one third of the new revenue generated annually in the state. For many rural communities it is the lead economic engine fueling both gross receipts taxes and the collection of lodger's tax. Strengthening institutions, the creative economy's cultural entrepreneurs, and related tourism amenities and services directly contributes to increased bed nights in hotels and B&Bs, restaurant gross receipts, and provides positive spill over to other retail and service segments of the district.

The New Mexico Arts Commission is legislatively mandated as the authorizing body of the state's Arts and Cultural Districts. The Arts Commission has not yet met to authorize new districts for FY2010. This bill identifies four districts, but those districts are not yet authorized by the Arts Commission. We recommend that the bill be amended to strike the phrase "in Raton, Las Alamos, Taos and Albuquerque" from the language of the first sentence.

The initial success of the local pilot programs has been through an unprecedented collaboration among state agencies. Resources to support future agency partnership to mitigate further impact on other existing successful programs are needed. The expansion to reach a critical mass of districts enabling a strong branding and marketing campaign out of state is predicated on new communities.

The arts and culture of New Mexico are among the top reasons visitors come to the state. TD supports and encourages collaboration among all state agencies to better promote New Mexico as a tourist destination. Thriving Main Street communities also enhance opportunities to attract more visitors to the state.

DCA Historic Preservation Division historic tax credit programs and loan programs are important incentives to potential projects within arts and culture districts. Failure of projects to comply with program requirements would make projects ineligible for tax credits at the current cap, as well as the raised cap.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

No new communities added to the program this year and the potential loss of matching funds from granting agencies and foundations.

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