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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/07/13

SPONSOR Jeff LAST UPDATED 03/06/13 HB 199/aHAFC

SHORT TITLE Arts and Cultural District Designation SB \_\_\_\_\_

ANALYST Clark

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 239

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Tourism Department  
 Economic Development Department (EDD)  
 Department of Cultural Affairs (DCA)  
 Indian Affairs Department (IAD)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment strikes the appropriation from the bill.

#### Synopsis of Original Bill

House Bill 199 (HB 199) appropriates \$100,000 from the general fund to the Economic Development Department (EDD) to carry out the purposes of the Arts and Cultural District Act.

The EDD provided the following synopsis:

New Mexico's Cultural Economy is a key economic engine for the state. The intent of the legislature in creating the Arts and Cultural District Act in 2007 was to strengthen market share in a highly competitive national environment. By focusing limited resources into major

destinations with a high concentration of cultural and creative interests, the state assists in developing cultural nodes to keep visitors and travelers in a place for several days where they can launch trips out to other cultural and artists destinations in the region. By statute the New Mexico MainStreet Director is the state Coordinator for Arts and Cultural Districts and the New Mexico Arts Commission is the authorizing body for state authorized districts.

This bill would create a pathway for Indian tribes and pueblos and counties representing unincorporated villages in rural areas to participate in the state Arts and Cultural Districts program. The bill also clarifies the role of “outlying” (outside of the district), cultural compounds, and cultural institutions that can indirectly benefit from the central Arts and Cultural District.

The bill clarifies the definitions of required municipally adopted cultural and master plans which prioritize infrastructure and capital projects for funding within the district. The bill solidifies the interagency collaboration known as the state Arts and Cultural State Council which includes the Department of Cultural Affairs, the Economic Development Department and the Tourism Department. Among other things, the bill clarifies Arts and Cultural District boundaries and their adoption by districts, which has been an issue in some communities in the early implementation of the program.

The bill clarifies that the New Mexico Arts Division of the Department of Cultural Affairs would administer the Arts and Cultural Districts Fund, which has yet to be capitalized by the Legislature since it was originally created in 2007. The bill provides for a General Fund appropriation of \$100,000 in FY14 to the Economic Development Department, which would allow for technical assistance for new state authorized districts in FY14. No funding has been appropriated in recent years and no new communities have been added without operational funding to support their development. Currently there are six authorized districts in New Mexico: Silver City, Las Vegas, Taos, Los Alamos, Raton and Downtown Albuquerque.

## **FISCAL IMPLICATIONS**

The appropriation of \$100,000 contained in the original 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**

The EDD states that the bill provides a pathway to participation for Indian tribes and pueblos and unincorporated villages within counties that are currently unable to participate in the Arts and Cultural District program. The bill clarifies the use of the work “designate” and “authorize” which are used interchangeably in the original statute, confusing the two program pathways: self-designated and state authorized.

Additionally, the EDD reports the funding component is critical if the state program is to survive. With budget cuts over the past few years the participating programs no longer have the resources to support all existing communities or add new communities. There are 13 communities that have expressed interest in the past three years in developing an Arts and Cultural District.

According to the EDD, the Arts and Cultural Program engages not only with artists and cultural entrepreneurs, but also works with cultural and historic properties important to the quality of life in our communities. Stimulating the cultural economy can precipitate reinvestment in commercial properties within the district including historic hotels, libraries, and other properties in need of restoration, rehabilitation, and building code compliance.

The bill clarifies a pathway for self-designated districts, having completed without state resources the capacity-building process, to petition to become part of the state authorized program and network of branding and marketing.

The Department of Cultural Affairs reports that the New Mexico Historic Preservation Division of the DCA has partnered with the New Mexico MainStreet and Arts and Cultural Districts program to preserve cultural resources while enhancing the opportunities for strengthening the economic vitality of historic districts, often commercial ones. The bill would allow Indian pueblos, tribes, and nations located entirely or partially in New Mexico to become self-designated Arts and Cultural Districts within the existing program. The bill cleans up language from previous legislation. By allowing self-designated districts to establish their own boundaries based on coherence or a geographically contiguous area, the legislation potentially allows more citizens and property owners to participate in the program.

The Indian Affairs Department expresses reservations about the population size stipulated in the bill, stating that:

The language stated under the self-designated arts and cultural districts can be limiting. “Municipalities, counties and Indian nations, tribes and pueblos with a population greater than fifty thousand...” Currently, the only nation, tribe, or pueblo able to reach the population requirement of 50 thousand would be the Navajo Nation. The language limits the other 21 nations, tribes, and pueblos in this state.

## **ADMINISTRATIVE IMPLICATIONS**

Staff from the Economic Development Department and the Department of Cultural Affairs would need to work with tribes, pueblos, and others to create additional authorized arts and cultural districts in New Mexico.

The DCA asserts that increasing the number of Arts and Cultural Districts will involve more staff time and travel to provide expertise. The potential increase in the number and size of Arts and Culture Districts may make more historic properties eligible for the enhanced state income tax credit for registered cultural properties and, while the fiscal impact would likely be small, would increase the demand for that division’s project review and administrative staff. This is because the new language specifically urges Arts and Cultural Districts to seek technical assistance from participating state agencies. The bill would place additional demands on staff time.

## **COMPANIONSHIP**

The Indian Affairs Department states that SB 239 can potentially be a companion bill to a certain extent. SB 239 provides a credit against income tax liabilities for the restoration, rehabilitation, or preservation of cultural property that is an eligible property subject to the Main Street Act. In HB 199, a master plan can include a plan resulting from a professional planning process that

identifies priority catalytic economic development projects to revitalize a downtown area, a cultural institution, or a cultural compound as determined through a community participation process. The economic development plan as determined by the Arts and Cultural District can include restoration, rehabilitation, or preservation of cultural property, which can also benefit from the tax credits offered in SB 239.

JC/svb:blm