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FISCAL IMPACT REPORT

SPONSOR <u>Armstrong</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/23/23</u>
	BILL
SHORT TITLE <u>Transferring Outdoor Recreation Division</u>	NUMBER <u>House Bill 475</u>
	ANALYST <u>Dick-Peddie</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
EDD Operating Budget	\$0.0	(\$1,115.4)	(\$1,115.4)	(\$2,308.8)	Recurring	General Fund
NMTD Operating Budget	\$0.0	\$1,115.4	\$1,115.4	\$2,308.8	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent version of this legislation.

Relates to appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From

New Mexico Tourism Department (NMTD)
 Economic Development Department (EDD)
 New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of House Bill 475

House Bill 475 transfers the New Mexico Outdoor Recreation Division (ORD) from the Economic Development Department (EDD) to the Tourism Department (NMTD.) Additionally, the legislation includes increasing agritourism as a key function of the division. Agritourism is defined as activities that allow members of the public, for recreational, entertainment, or educational purposes, to view or enjoy rural activities, including farming activities, ranching activities, and historic, cultural, or natural attractions.

The legislation also requires the Tourism Department to work with the Economic Development Department to recruit outdoor businesses to the state and create a statewide anti-littering campaign to promote outdoor recreation stewardship. Finally, the bill permits the Outdoor Equity

Grant Program, which is currently used exclusively to fund recreation programs for youth up to age 18, to go towards creating paid partnerships with outdoor recreational businesses to increase accessibility and affordability for state residents.

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

The bill does not increase or decrease funding for the Outdoor Recreation Division. The Additional operating Budget Impact table reflects removing the division from the Economic Development Department to the Tourism Department.

In addition to the operating expenses of the division, NMTD would be charged with administering ORD's two major grant programs, the outdoor equity fund and the Trails+ grant. The HAFC substitute for House Bill 2 includes a total of \$11 million for both programs.

SIGNIFICANT ISSUES

The Economic Development Department reports that transferring the department would be “detrimental to the Outdoor Recreation Division’s operations, reach, and economic impact, due to the different missions of EDD and [NM]TD.” Outdoor Recreation is one of nine target industries of the Economic Development Department, and a key priority of the department’s 220-year strategic plan published in October 2021. According to EDD, the legislative and executive intent in creating the division was primarily as a strategy for diversifying the state’s economy, which aligns with the core mission of EDD.

EDD elaborates:

The mission of [NM]TD is very different from the mission of EDD and the Outdoor Recreation Division. ORD’s goal is to grow the outdoor recreation economy, recruit out-of-state outdoor recreation businesses to NM, support and grow existing outdoor recreation businesses in the state, invest in long-term outdoor recreation infrastructure and conservation projects, promote education and careers in the outdoor recreation industry, improve public health and quality of life of residents, and transform the state's economic, social, and environmental future by championing sustainable outdoor recreation and increasing access to it for all New Mexicans, especially those who have been excluded from the traditional outdoor recreation and environmental movements.

[NM]TD “strives to promote New Mexico as the top destination for venturesome travelers, build the New Mexico True brand, unify and lead industry partners and inspire in-state advocacy and pride.” This supports the marketing component of the Outdoor Recreation Division, but does not lend itself to all other aspects of the Outdoor Recreation Division’s mission.

These missions, while complementary, have fundamental differences that are difficult to reconcile within a single administrative department. Throughout the years, TD and the Outdoor Recreation Division have demonstrated that effective and productive partnerships can take place between agencies without the need to be administratively

consolidated.

The Outdoor Recreation Division staying within EDD would ensure the most streamlined administration of ORD's goals and mission. It would at the same time free up resources at TD and enable them to focus on their own program goals and objectives in marketing and promoting the outdoor recreation assets in New Mexico, largely to out-of-state travelers.

NMTD and EDD currently collaborate on marketing for outdoor recreation and developing tourism infrastructure in communities with outdoor recreation attractions. The departments even received a shared federal grant in FY22 to market the state's outdoors.

Additionally, it is unclear how paid partnerships funded through the outdoor equity grant program would support outdoor "accessibility and affordability" to local residents. The legislation does not have guardrails on what types of outdoor recreation business partnerships would be eligible for grants and does not require the department to track the return on investment from partnerships. It is also unclear if the provision would be a violation of the "anti-donation clause" of the New Mexico State Constitution.

The legislative change to the grant program also does not dictate how much of the fund is permitted for business partnerships versus for grants. This means all, or most, of the available equity fund money (approximately \$3 million assuming the current fund balance of \$2 million in addition to \$1 million in new funding included in the General Appropriations Act) could go to business partnerships rather than youth programming.

TECHNICAL ISSUES

The New Mexico Attorney general notes that the use of the word "sole" in Section 5 (subsection B, line 7) is contradictory, as the legislation includes two purposes for the grants.

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