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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-26-2006

SPONSOR Sanchez, M. LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Remove Barriers to Artisan Enterprises SB 396

ANALYST Dearing

### APPROPRIATION (dollars in thousands)

| Appropriation |       | Recurring<br>or Non-Rec | Fund<br>Affected |
|---------------|-------|-------------------------|------------------|
| FY06          | FY07  |                         |                  |
|               | 350.0 | Non-Rec                 | General Fund     |
|               |       |                         |                  |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Economic Development Department (NMEDD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 396 appropriates \$350,000 from the general fund to the New Mexico Economic Development Department for the purposes of enabling NMEDD to contract for services to support entrepreneurial efforts in underserved communities in the state. The services would conduct workshops, cultivate regional wholesale markets and provide access to global markets, removing barriers to artisan enterprises.

### FISCAL IMPLICATIONS

The appropriation of \$350,000 contained in this bill is non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2007 shall revert to the general fund.

According to NMEDD, There could possibly be additional costs to the agency if this legislation is enacted.

Overall, Legislative Finance Committee has recommended a 1% budget increase over fiscal year 2006 budget to fiscal year 2007 budget of \$6,443,800; however, this appropriation has not been

requested in the fiscal year 2007 agency request. On a related note, the Legislative Finance Committee has recommended a funding expansion of \$87,100 for a Directorship for the Office of International Trade, the specific department charged with increasing and initiating export of New Mexico products.

## SIGNIFICANT ISSUES

According to the University of New Mexico Bureau of Business & Economic Research, “in 2002, Santa Fe’s arts & cultural industries (A&CI) and cultural tourism generated over \$1 billion in receipts, employed 12,567 workers (17.5% of total employment in Santa Fe county), and paid \$231.5 million in wages and salaries. Just over one-half of employment and wages are generated by industries that are either directly engaged in the creation, presentation or preservation of art and/or cultural activities, or indirectly engaged with cultural content but not themselves “source activities”. The balance is generated by the tourism industry to the extent that tourism is associated with an interest in Santa Fe’s art, cultural and historical attractions.

Similarly, “Santa Fe’s cultural activities are funded principally with revenues that originate outside the county. *Of the total revenues generated by the industries in 2002, 78%, or \$814 million, were drawn from areas outside SF County.* Including the indirect and induced effects of these revenues and subtracting leakages from local economy, the total impact of A&CIs on the economy of Santa Fe County that is associated with outside funds was \$773.3 million, creating 12,953 jobs and paying \$310.3 million in disposable income.”

Enactment of this legislation could inspire significant economic development in artisan industries within underserved communities elsewhere in the state. Additionally, the initiative to provide assistance in facilitating the sales of these cultural and artisan products in other world markets would have the effect of diversifying the economic income of these artisan industries within the state.

Over the period of 1995-2003, Santa Fe had lost a substantial (nearly a third) volume of its previous national tourism market. This is problematic for the entire statewide artisan community. As previously stated, 78% of the aforementioned revenue was generated from outside Santa Fe County.

Successful diversification of the income sources associated with art products, to rely less on direct tourist visits to the state could strengthen this valuable component of the New Mexican economy.

Economic Development Department has, as one of its two critical goals, diversification of the economic factors that can be influenced within the state.

This legislation fits in with NMEDD’s overall economic development strategy. The legislation would augment many of the initiatives of NMEDD as stated in the FY07 Strategic Plan, such as: Enterprise Facilitation, Regional Rep Program, Main Street, and the Native American Programs. In FY06, NMEDD has participated in several artisan events, assisting in areas including product development, markets and barriers.

**PERFORMANCE IMPLICATIONS**

This legislation would assist existing NMEDD initiatives with performance measures. These services could result in a small business growing to utilize the services of JTIP and the NMEDD Home Field Advantage Program.

**TECHNICAL ISSUES**

Identifying underserved communities and contractors, as well as creating and implementing participation agreements among applicable artisans.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If this legislation is not passed, the artisan community might miss an opportunity to expand their business potential, broaden their markets, and receive higher prices for their artisan products. Additionally, this component of the economy would still be vulnerable to fluctuations in tourism volume, similar to the overall vacation airline passenger slump that occurred directly after September 11<sup>th</sup>, 2001.

PD/nt