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**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

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**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 1/31/2026 *Check all that apply:*  
**Bill Number:** HB 238 Original  Correction   
 Amendment  Substitute

<b>Sponsor:</b> <u>Tara L. Lujan</u>	<b>Agency Name and Code Number:</b> <u>Economic Development Department 41900</u>
<b>Short Title:</b> <u>Independent Theater Sponsorship Program</u>	<b>Person Writing:</b> <u>Daniel Gutierrez</u>
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
	\$1,000.0	Nonrecurring	General Fund

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$100.0	\$100.0	\$100.0	\$300.0		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

##### Synopsis:

House Bill 238 establishes a three-year pilot program in the Economic Development Department to provide monthly sponsorship payments of up to \$2 thousand to independent theaters located in municipal business districts located within a designated New Mexico MainStreet or New Mexico Arts & Cultural District.

The Bill appropriates \$1 million from the general fund to the Economic Development Department to provide up to \$2 thousand per month to each qualifying theater for capital improvements or operating expenses from fiscal years 2027 through 2029.

The Bill also sets up eligibility requirements for independent theaters and requires the Economic Development Department to determine which theaters meet these criteria, establish rules for the program, set up a methodology for evaluating the fiscal impact, and report the outcomes and fiscal impacts of the program to the Legislative Finance Committee and appropriate interim legislative committees.

#### **FISCAL IMPLICATIONS**

Development, administration, and implementation of the program along with reporting requirements will require a significant amount of staff time for the Economic Development Department and may necessitate the need for an additional FTE to manage the program.

#### **SIGNIFICANT ISSUES**

Independent theaters act as vital economic anchors for commercial districts, driving significant foot traffic to surrounding restaurants and retail stores while fostering unique community identity. A study from the National Independent Venue Association reported that independent venues, festivals, promoters, and performing arts centers contributed an estimate of \$153.1 billion in total economic output in 2024. Key impacts of independent theaters on commercial districts include:

- **Economic Driver & Foot Traffic:** Independent venues, along with associated visitor spending on dining and lodging, contribute heavily to the local economy. They create a "sticky" environment where moviegoers linger, benefiting nearby businesses.
- **Neighborhood Revitalization & Identity:** Often located in historic or unique buildings, these theaters help define the character of a district, acting as a "third place" for community gathering.
- **Cultural & Social Hub:** Beyond movies, these venues host events like filmmaker Q&As, festivals, and live, local events, creating a lively, social atmosphere that attracts diverse demographics.
- **Community Resilience:** In smaller communities, independent cinemas often serve as the sole source of big-screen entertainment, acting as a crucial, irreplaceable cultural asset.

- **Adaptive Business Models:** Many independent theaters survive by integrating with the community, such as operating as nonprofits or offering specialized food/drink, which keeps the immediate area vibrant.

The Economic Development Department currently manages a Historic Theaters Initiative through the New Mexico MainStreet program that provides technical assistance and Capital Outlay funding for the rehabilitation of publicly owned historic theaters within MainStreet and Arts & Cultural Districts. The initiative, which began in 2013, has provided a total of \$3,941,436 to eleven historic theaters throughout the State. The capital outlay funding, however, is limited as it can only support the rehabilitation of publicly owned theaters and doesn't provide any funding for operations or ongoing maintenance and repairs. There are also a number of independent theaters that are privately owned by independent operators or non-profits that do not qualify for rehabilitation funding through the Department's Historic Theaters Initiative. As such, HB 238 would fill a significant need and allow the State to support privately owned independent theaters.

## **PERFORMANCE IMPLICATIONS**

### **ADMINISTRATIVE IMPLICATIONS**

Development, administration, and implementation of the program along with reporting requirements will require a significant amount of staff time for the Economic Development Department and may necessitate the need for an additional FTE to manage the program.

HB 238 requires the Economic Development Department to promulgate rules for this program. Developing rules for a pilot program could take up to or greater than six-months creating a time gap before the department can deploy funds. Department recommends flexibility to develop a department policy to guide the process.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

### **TECHNICAL ISSUES**

Many independent theaters currently have some type of sponsorship program that involve structuring opportunities for donors and businesses to fund productions, often using fiscal sponsorship for tax-exempt donations, securing local business partnerships, and organizing fundraising events. Some of these sponsorship programs include advertising and marketing opportunities.

### **OTHER SUBSTANTIVE ISSUES**

One primary legal concern with HB 238 is whether or not it violates the State Constitution's Anti-Donation Clause. The independent theater sponsorship payments, however, could potentially be facilitated through a service contract with the theater providing advertising and marketing services to the Economic Development Department in return for the sponsorship payments.

### **ALTERNATIVES**

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

### **AMENDMENTS**