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FISCAL IMPACT REPORT

Dixon/
 Sweetser/Maestas/Gon **ORIGINAL DATE** 2/12/21
SPONSOR ales/Burt **LAST UPDATED** _____ **HB** 267 _____
SHORT TITLE Tourism Depart. Programs & Services **SB** _____
ANALYST Martinez _____

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$45,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$167.3	\$167.3	\$334.6	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to: General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Tourism Department (NMTD)
 Workforce Solutions Department (WSD)
 Higher Education Department (HED)
 Department of Cultural Affairs (DCA)

SUMMARY

Synopsis of Bill

House Bill 267 appropriates a total of \$45 million from the general fund to the Tourism Department to support the tourism industry through three different programs.

Of the \$45 million, \$7 million is appropriated to support business improvement districts throughout the state to provide destination marketing services, promote tourism, increase business

retention, and support expansion, \$8 million is appropriated for an event revitalization program and \$30 million is appropriated for a career advancement pilot program to include professional certificates, on-the-job training and mentorship, and a college fellowship program designed to retain graduates from New Mexico hospitality programs in state. Any unexpended or unencumbered balance remaining at the end of fiscal year 2023 shall revert to the general fund.

There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

The appropriation of \$45 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY23 shall revert to the general fund.

The Tourism Department did not indicate if additional operating costs would be incurred due to HB267. However, it is important to note HB267 requires the department to hire a staff coordinator and an outreach and recruitment coordinator; neither of these positions currently exist at the department. The current average costs of 1 FTE at the Tourism Department is \$83.7 thousand; therefore, the costs of 2 additional FTE would increase the recurring operating budget by \$167.3 thousand.

House Bill 267 appropriates \$45 million to the Tourism Department from the general fund for the following purposes:

- Section 1: \$7 million to support business improvement districts throughout the state using criteria established by the department.
- Section 2: \$8 million for an events revitalization program that will support and expand existing events while driving out-of-state traffic to New Mexico's diverse events.
- Section 3: \$30 million for a job training pilot program to increase leisure and hospitality workforce skill and marketability following significant losses in employment. This program includes a college fellowship program, professional certifications, and on-the-job training and direct mentorships.

The Tourism Department provided the following:

Business Improvement Districts: Initially there will be a \$7 million investment available to established and newly established districts for FY22. This initial funding will incentivize communities to consider the tax options, as well as provide initial marketing funding to help make up for funding lost during COVID-19 and to improve communities' competitive position. For example, implementation within a business improvement district of a 2 percent fee assessment on hotels, pursuant to the Business Improvement District Act, based on 2019 data, would yield the city of Albuquerque an additional \$6.1 million to be used for marketing, promotion, aviation development/marketing, or media relations for tourism.

Event Revitalization: HB267 includes a two-year investment of \$8 million, which would be split between an accelerator program that provides technical assistance in event development, marketing and promotion support to increase attendance and a live and virtual event grant program. The live and virtual event grant program could fund

approximately 400 events over two years, at an average grant size of \$15,000.

Tourism Industry Career Advancement Pilot Program: As of December 2020, approximately 30,000 New Mexico leisure and hospitality workers were without a job. From April 2020 through the end of January 2021, these workers claimed nearly \$735 million in unemployment insurance and many remain uncertain whether they will have a job to return to once the COVID-19 pandemic has receded.

Based on an investment of \$30 million, the Tourism Department could provide reimbursements for up to 5,707 New Mexicans working in the leisure and hospitality sector for six months while they pursue job-specific certificates and trainings through partnerships with national trade associations, online university offerings, Department of Workforce Solutions, New Mexico Higher Education Department, and other in-state certification programs. With a timeframe reduced to three months from six, Tourism Department could provide over 11,000 leisure and hospitality workers with job-specific certificates and trainings. In addition to on-the-job training and mentorship as well as nationally-recognized online professional certificates, Tourism Department would administer a college fellowship program designed to support post-graduation job placement within New Mexico to aid in retention.

SIGNIFICANT ISSUES

The Tourism Department provided the following:

Business Improvement Districts: The structure of this program is similar to other Tourism Improvement Districts (TIDs), which have proven successful strategies for economic recovery across the nation. There are currently TIDs or some similar variations in 16 US states. These districts provide for stable and reliable sources of marketing and tourism development funds for communities and incentivize room nights and visitor spending since funding is directly tied to tax revenue.

From the 2020 TIDD Annual Report, “Tax Increment Development Districts (TIDDs) are special districts that use Tax Increment Financing (TIF), or incremental tax revenues generated by a development project, to fund public infrastructure associated with those development projects. TIF is most often used to spur development where it might not otherwise occur and as a tool to encourage redevelopment in blighted areas.” Established TIDDs in New Mexico (Mesa del Sol, Winrock Town Center, and Taos Ski Valley) have resulted in public infrastructure improvements that exceeded \$30 million since their inception and have created over 4,600 permanent jobs, excluding construction.

Event Revitalization: Drive market visitation to New Mexico is a key component of the state’s tourism strategy, and events serve as powerful converters of drive-market traffic. Overnight drive market visitors spent an average of \$1,192 per party per trip in 2019 and accounted for 78 percent of New Mexico’s overall overnight visitation in that same year. National consumer sentiment data from Longwoods International and Destination Analytics suggests that the majority of first trips post-pandemic will be drive trips, and that drive-market visitation will be the first to return. This allows the Tourism Department to take advantage of this primary wave of travel. Not only will an event grant program (which has been successfully carried out by NMTD in the past) provide New Mexico’s events with

much-needed financial support, the additional accelerator and grant program will help events to grow their audiences and provide for a sustainable future.

Tourism Industry Career Advancement Pilot Program:

Leisure and hospitality specific job training programs using an “earn while you learn” model have proven successful. Maine Hospitality has implemented a similar program, training employees in a number of leisure and hospitality fields including restaurants and lodging/hotels. As a result of this program, Maine businesses have seen an improvement in worker productivity, quality, and safety; reduced turnover costs; talent attraction; filled skill gaps; and an average ROI of \$1.47 for every \$1.

New Mexico does not have corporate training programs, like those offered by Marriott and Disney, which allow recent graduates to receive on-the-job training while climbing a lucrative career ladder. For this reason, New Mexico loses many qualified graduates of leisure and hospitality programs to neighboring states with more competitive training offerings. It is necessary to provide job training incentives to New Mexicans in order to make the state more competitive and retain talent in the long-term.

These programs and strategies work in tandem to provide necessary asset stabilization to meet growing demand factors predicated on investment in tourism marketing and promotion. Without this asset stabilization and infrastructure, demand needs cannot be met and without growth in demand, economic stabilization within the industry may not be successful.

The Workforce Solutions Department provided the following:

The Workforce Solutions Department (DWS) is the primary agency responsible for administering the Workforce Innovation and Opportunity Act (WIOA) and for improving the state’s workforce systems to help New Mexican’s with significant barriers to employment, including adults, dislocated workers and youth. DWS receives approximately \$25 million from the US Department of Labor (USDOL) that is distributed to the four local workforce development boards to fund subsidized training activities, on-the-job training and customizes training for adults, dislocated workers and youth as part of WIOA.

The workforce system in New Mexico is a network of state, regional and local agencies and organizations that provide many employment, education, training and related services and supports. Currently, there are twenty-three (23) Workforce Connections Centers operating statewide. Employment services staff work cooperatively and collaboratively with local workforce development boards (LWDBs) to provide universal access to an integrated array of services to workers, jobseekers and employers, such as entry, review and maintenance of job-listings, assessment and testing of applicants, job search assistance, reemployment services to unemployed insurance claimants, labor market information, evaluation and assessment of skills, and abilities, and referral to training and support services. LWDBs also coordinate for adult, dislocated and youth services in partnership with core programs such as Division of Vocational Rehabilitation and Adult Education and Family Literacy programs to coordinate access to services for eligible individuals for services such as high school equivalency, industry related credentials and post-secondary degrees and certificates.

DWS is responsible for the coordination and implementation of New Mexico's Combined Four-Year Workforce Development State Plan. The plan aims to share understanding of workforce needs across the state and add more comprehensive and streamlined approaches for addressing the needs of businesses and job seekers and support statewide efforts to coordinate and align workforce development strategies and activities across state agencies to strengthen the talent pipeline and improve economic prosperity. Targeted industry sectors identified in the state plan include: health, aerospace and STEM, intelligent manufacturing, sustaining & value-added agriculture, film and digital media, tourism and recreation, IT and cyber security, education and international trade.

DWS works in partnership with post-secondary institutions and training providers to oversee an eligible training provider list that includes traditional two-year and four-year degree programs, short-term certificate programs and other licensed programming that are aligned with demand industries. The training provider list also include apprenticeship programs. The training list is available statewide and is utilized to support career advising and development of individualized training programs.

The Higher Education Department provided the following:

HB267 specifically features a college fellowship program with the goal of retaining New Mexico college graduates, along with a mentorship program and online education certificate.

Hospitality and tourism management curricula follow similar core subject applications to that of a business degree, but with a focus on tourism development and hospitality management. Core subject areas include accounting, administration, entrepreneurship, finance, information systems, marketing, human resource management, public relations, strategy, quantitative methods, and sectoral studies in the various areas of hospitality business. Some programs also include culinary training.

Retaining the students and personnel with these talents and credentials could mitigate workforce migrations and benefit recovery efforts.

Currently, eight New Mexico Higher Education Institutions (HEI's) offer a credential in hospitality and/or tourism management:

- New Mexico State University (NMSU)
- Central New Mexico Community College (CNM)
- Dona Ana Community College (DACC)
- Santa Fe Community College (SFCC)
- Northern New Mexico College (NNMC)
- Eastern New Mexico University – Portales (ENMU-Portales)
- Eastern New Mexico University – Ruidoso (ENMU-Ruidoso)
- University of the Southwest (USW)

While a number of New Mexico HEIs don't offer a credential specifically in hospitality and/or tourism management, many of the State's HEIs offer such disciplines as business administration, accounting, retail management, and cultural and fine arts that complement the industry.

The Department of Cultural Affairs provided the following:

There are many significant impacts, including fiscal implications for the arts & culture sector in New Mexico.

Of the \$7 million for BIDs, some of those funds could be channeled through the already identified State Arts and Cultural Districts (ACDs). ACDs are defined areas of a community (usually in tandem with a Main Street Program) where there is a specific focus on arts and culture revitalization which results in not only the growth of the local creative economy, but in the overall economic development of the area.

Regarding the \$8 million for event revitalization, the pandemic related closures have been particularly difficult for the types of cultural organizations and individuals who put on and/or perform at events (large and small) across the state. They were the first to be shut down and will be the last to reopen. Funding in this bill could act as a desperately needed direct shot of stimulus to some of the most impacted cultural organizations in the state.

Of the \$30 million for a tourism industry career advancement pilot program, funds could be used to upskill culture workers in New Mexico in addition to hospitality and leisure workforce. New Mexico's arts and culture sector is a key tourism draw. New Mexico tourists visit the state's cultural assets at more than twice the national norm and compared to competitive states Providing training to help culture workers, in our many cultural institutions and organizations, both small and large, as well as independent contractors and cultural gig workers, learn new skills (e.g. marketing, social media, technology, videography, etc.) would benefit the arts and culture sector overall and elevate the state's already strong reputation for excellence.

Overall, the arts and culture sector contributes significantly to the economy in New Mexico. A study done in 2014 indicates that arts and cultural industries in New Mexico employ 76,780 persons, equal to about one in ten jobs in the state. Arts and cultural industries generate \$137.1 million in revenues for state and local governments in New Mexico. Cultural tourism, specifically, employs 11,077 in accommodations, restaurants and related services; the total contribution of the cultural sector to the state's economy is \$5.6 billion per year

PERFORMANCE IMPLICATIONS

According to the Tourism Department, the Tourism Development Division which would oversee all programs and establish performance measures to ensure that benchmarks are being met for each aspect of HB267. Ongoing performance monitoring will be carried out over FY22 and FY23 with an economic impact study to be completed at the end of FY23.

According to the Higher Education Department HB267 does not outline specific performance measures; however, if funded NMTD should develop performance measures in coordination with NMHED.

ADMINISTRATIVE IMPLICATIONS

The Tourism Department provided the following:

Business Improvement Districts: All administration of these optional taxes would occur at the local level and would require education, outreach and ongoing technical support. The department will oversee tracking and monitoring of data outputs as a result of implementation.

Event Revitalization: The department will oversee grant funding and administer the accelerator program. This fits well into established existing programs, as a framework for grant allocation already exists within the department. The department will monitor the economic impact of events through partnerships with event organizers.

Tourism Industry Career Advancement Pilot Program: The department will oversee the administration of the program through a dedicated staff coordinator and a dedicated outreach and recruitment coordinator, with partnership assistance from entities such as hotel ownership and management groups, local economic developers, municipal chambers, trade associations, New Mexico higher education, local business leaders and the Department of Workforce Solutions. This funding would support the hiring of the two coordinator positions mentioned above.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The Tourism Department has requested a \$25 million special appropriation in the General Appropriation Act for a revitalization strategy to restart the tourism economy. The \$25 million, if appropriated, could be used for many of the purposes stated in HB267.

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