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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 238

SHORT TITLE: Independent Theater Sponsorship Program

SPONSOR: Lujan

LAST ORIGINAL
UPDATE: _____ **DATE:** 2/2/26 **ANALYST:** Francis

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	1,000.0	Nonrecurring	General Fund

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
EDD		Indeterminate but minimal	Indeterminate but minimal		Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Economic Development Department
 Department of Cultural Affairs

Agency or Agencies That Were Asked for Analysis but did not Respond

NM Department of Justice

SUMMARY

Synopsis of House Bill 238

House Bill 238 (HB 238) appropriates \$1 million from the general fund to the Economic Development Department (EDD) to be expended over fiscal years 2027 through 2029 for the independent theater sponsorship program.

HB 238 creates a three-year pilot program to provide “sponsorship payments,” or grants, to independent theaters. EDD will administer the project and provide grants up to \$2,000 per month for an eligible independent theater based on the theater’s financial capacity, operating capability,

and potential for matching grants and sponsorships.

EDD will develop and promulgate rules for the application process and the evaluation of applications. EDD will also evaluate the fiscal impact of the program on municipal business districts and report on the program to interim legislative committees by November 1 of each year the program is in operation with a final report due on October 1, 2029, enumerating the outcomes and recommendations for the program.

HB 238 defines eligible participants as independent theaters that are in a municipal business district that participates in the Main Street program and is designated as an arts and cultural district. The theater must be owned by a person that owns only one theater.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

The appropriation of \$1 million thousand contained in this bill is a nonrecurring expense to the general fund. Although this bill does not specify future appropriations, multiyear appropriations, particularly if used to fund services and those services perform well, create an expectation the program will continue in future fiscal years; therefore, this cost could become recurring after the funding period.

Assuming the grants begin January 1, 2027, after a six-month period to establish the rules and award the first grants, the program could support 16 theaters over the pilot period. Each theater would receive \$60,000 in funding from EDD (30 months x \$2,000). However, there are only 13 arts and cultural districts, which are affiliated with the NM Main Streets program.¹

SIGNIFICANT ISSUES

HB 238 states that the goal of the sponsorship program is to demonstrate whether supporting independent theaters will help revitalize municipal business districts. NM Department of Cultural Affairs (DCA) suggests HB 238 would benefit these theaters by making them more competitive with larger chain theaters and would benefit downtown business districts by attracting people to the area.

EDD states that 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.” The NM Main Street program also has the Historic Theaters Initiative for publicly owned historic theaters in arts and cultural districts.

Other grants are available to Arts and Cultural Districts. In October 2025, grants of up to \$100,000 were awarded to ten districts under the ACD Pilot Grant program.²

PERFORMANCE IMPLICATIONS

¹ [MainStreet - New Mexico MainStreet](#)

² [Creative Industries announces first round awardees of ACD Pilot Grant program – New Mexico Arts & Cultural Districts](#)

EDD notes there may be anti-donation clause issues unless the grants were structured as a contract:

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.

ADMINISTRATIVE IMPLICATIONS

The New Mexico MainStreet Program, enacted by the Legislature in 1985, focuses on the revitalization of central business districts in New Mexico communities based on the preservation and rehabilitation of existing structures and development of management techniques. Since FY21, EDD has received \$34.2 million in MainStreet capital funding. In FY25, MainStreet facilitated the rehabilitation of 259 buildings and private sector investment of approximately \$72 million into real estate in MainStreet districts. For FY25, the Legislature increased the agency's budget to support the MainStreet Program by \$80 thousand for technical contracts and \$110.5 thousand in personnel costs for 1 FTE. EDD was appropriated \$4 million for creative industries grants in FY 2026.

EDD has highlighted administrative issues:

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. The department recommends flexibility to develop a department policy to guide the process.

TECHNICAL ISSUES

It is not clear if EDD can use some of the appropriation to implement and administer the program. If the intent is for the entire appropriation to fund grants, that should be explicit. Alternatively, a specific amount or percentage to defray costs could be added.

NF/dw