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FISCAL IMPACT REPORT

SPONSOR Heaton **DATE TYPED** 02/28/05 **HB** 54/aHBIC/aHAFC

SHORT TITLE Conditions for Business Incubators **SB** _____

ANALYST Ford

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to
HB 52, HB 96, HB 367, HB 381, SB 79

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment removes sections 2 and 3, the appropriations of \$700 thousand and \$50 thousand respectively, from the measure, so that the measure now simply establishes the conditions a small business incubator must meet in order to receive state funds. The amendment also removed several House Business and Industry Committee amendments, but these amendments related to sections 2 and 3, which were also removed.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment removes the emergency provision and increases the appropriation from \$500 thousand to \$700 thousand. The amendment clarifies that the required match from the grant recipient must be a cash match. Finally, the amendment adds a requirement that the grant recipient must demonstrate a reasonable strategy or plan for sustainable operations for the period after grant funds expire.

Synopsis of Original Bill

House Bill 54 appropriates \$500 thousand from the general fund to the EDD for expenditure in fiscal years 2005 and 2006 for the purpose of providing start up operating funds for new business incubators through a competitive grant program.

House Bill 54 also appropriates \$50 thousand from the general fund to the EDD for expenditure in fiscal years 2005 and 2006 for the purpose of developing and administering the business incubator certification program. The bill establishes criteria for the certification of business incubators and limits state funding to certified incubators.

Significant Issues

House Bill 54 establishes the state incubator certification program and requires that state funding be provided only to incubators that have passed this program. These criteria touch on such issues as a mission statement, feasibility study or business plan, governing board or oversight committee, qualified management and staff, business assistance program, facility requirements, screening process, program evaluation, required licenses and permits, accounting systems, and membership in the national business incubation association. The bill appropriates \$50 thousand to EDD to establish and operate this program.

The measure appropriates funding to establish a competitive grants program, which would provide up to \$150 thousand in start-up operating costs for new incubators. A fifty percent match from the recipient is required.

House Bill 54 is an emergency measure.

PERFORMANCE IMPLICATIONS

Performance measures for the EDD include: number of business expansions assisted by the economic development program in urban areas of New Mexico, total number of rural jobs created, and number of business expansions assisted by the economic development department in rural New Mexico. To the extent that the business incubators assisted new business development, this measure would help the EDD meet its performance measures.

FISCAL IMPLICATIONS

The appropriation of \$550 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2006 shall revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

The EDD would have to establish the business incubator certification program. It would also have to develop and administer the competitive grants program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Several bills have been introduced relating to business incubators and small business develop-

ment.

House Bill 52 appropriates \$600 thousand to EDD for the purpose of funding a competitive grants program in three local public bodies to demonstrate the efficacy of enterprise facilitation.

House Bill 96 and Senate Bill 79 (duplicates) appropriate \$3 million to the Commission on Higher Education to fund the statewide New Mexico small business development center at Santa Fe Community College.

House Bill 367 appropriates \$10 million to EDD to finance a pilot film business incubator for apprenticing New Mexico resident workforce training students of film and digital media.

House Bill 381 appropriates \$200 thousand from the general fund to the Economic Development Department for the purpose of contracting for support and expansion of business incubation services in southeast Albuquerque.

TECHNICAL ISSUES

The bill limits funding to start-up costs. Established and fledgling business incubators would not qualify for grant funding.

POSSIBLE QUESTIONS

Should the grant program be available to existing business incubators whose clients may benefit from the improved services brought about by certification of, and additional funding for, their incubators?

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