

LFC Requester: _____

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

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

Check all that apply:

Original **Amendment** _____
Correction _____ **Substitute** _____

Date January 30th, 2024

Bill No: SB 227

Sponsor: Sen. Martin Hickey
Short Title: Entrepreneur-In-Development Program

Agency Name and Code Number:

Central New Mexico Community College (968)

Person Writing Martin Olea

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	3,000.0	NR	GF

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB 227 will appropriate \$3 million (GF) to the Higher Education Department for use in FY2025 through 2027 for Central New Mexico Community College, in collaboration with Santa Fe Community College, San Juan College and Southeast New Mexico College, to develop entrepreneur-in-development programs to foster and nurture local companies.

FISCAL IMPLICATIONS

The NM Entrepreneur-in-Development (NM EID) program will be instrumental in retaining promising job-creating talent in New Mexico, while at the same time ensuring an increase in private sector activity leading to economic base activity in the state aligned with the eight high-

growth sectors identified in State EDD's 2021 20-year economic development plan.

NM EID program will building entrepreneurial capacity through our community colleges and talent through the state by cultivating and retaining (post pilot) 20 high-potential entrepreneurs a year in a comprehensive, immersive, cohort-based 12-month program to that blends hands-on experience with a structured support system that leads directly to meaningful participation in the state's top startup businesses.

If successful, those 20 EIDs per year will translate to five new startups, each of which will employ, on average, five employees, with an average salary of \$120k. At full ramp up in year five, this translates to 25 new jobs created yearly or ~\$3m in net income growth. Over ten years, this accumulates to overall leverage of \$1 to \$7.9: \$3m invested turns into \$23.7 in economic impact.

By increasing the number and quality of mid-level business executive talent in the state, the EID program will multiply the impact of—and increase likelihood of success for—other initiatives in which the State has already invested, namely: JTIP; Venture Capital Program managed by NMFA; SIC's NM Private Equity Investment Program and its allocations to various venture funds investing in New Mexico startups; and more.

Finally, the EID program will work closely with emerging venture studios active in the State, given that venture studios offer the best environment for on-the-job training of emerging startup business talent.

A recent REMI analysis conducted by the Mid Region Council of Governments looked at the potential impacts of a venture fund paired with a venture studio model for New Mexico in spurring economic development. The analysis showed that such a venture studio model could add an additional 1,016 direct jobs over ten years, an increase in employment of 425 jobs, and a Gross Regional Product increase of \$11.2M. This analysis was based on actual jobs created by ABQid Fund and Ingenuity Venture Fund portfolio companies from 2016 to 2021, a portfolio of companies managed by CNM Ingenuity located in New Mexico. These funds were not connected to a venture studio model, hence we believe the estimates are conservative.

SIGNIFICANT ISSUES

New Mexico must diversify its economy and must find ways to retain talent in the State. The proposed NM EID will prevent brain drain by opening another pathway for New Mexico college students and recent graduates to gain real-world experience with entrepreneurial ventures, related to their acquired skills from business classes, coding classes, Deep Dive bootcamps and Activate New Mexico entrepreneurial training. These are skills highly sought after in today's workforce climate.

Economic diversification hinges on our state leading in emerging technology clusters already identified (such as aerospace, energy/sustainability, life sciences, and creative technologies). A key to our state's ability to capture market share in these industries is workforce, and specifically managerial talent of high-growth tech companies.

- **Managerial Talent:** Many tech startups in New Mexico struggle because the founders do not have experience in managing a high growth company, which leads to failure of an otherwise strong concept. NM EID, paired with Venture Studios, directly addresses this gap by employing a group

of experienced managers covering the core skill areas, essentially becoming the hands-on cofounders for each idea. This group works on multiple ideas in parallel, applying more time and energy to ideas as they progress through each stage gate, until an external management team is ready to be onboarded and take the company to the next stage. The Entrepreneur-in-Development program will immerse our highest-aptitude but least-experienced minds shoulder to shoulder with these seasoned venture studio teams.

• **Company Retention:** Venture Studio also has the potential to help address the problem of value capture and talent retention for our State. Numerous educational institutions, nonprofits, and New Mexico citizens are ongoing purchasers of education and training platforms and products built by companies outside of New Mexico, whereas Venture Studio presents an opportunity to flip the script: it will build successful information technology products and platforms in-state that can be sold here, nationally, and potentially internationally. For the next two years, the areas of workforce development and adult learning are critically high growth years, presenting a significant opportunity for New Mexico to become a nexus for these industries, which in turn will only help all the other growth industries in desperate need of new workforce and training solutions.

PERFORMANCE IMPLICATIONS

The NM EID program will have simple, clear measures of success. After two years, we will measure and report on our proof of concept:

1. The number of EIDs on staff/contract at NM-based startups within 6 months of completing EID program
 - a. GOAL at end of Year 2: **14** (representing 50% of graduating participants)
2. The number of EIDs with 5% or more ownership in a NM-based startup within 12 months of completing EID program.
 - a. GOAL at end of Year 2: **7** (representing 25% of graduating participants)

While the initiative will take five years to fully prove success, there are key leading indicators that will be measured at the end of Year 2:

1. Net Promoter Score (“NPS”) of 9+ by EIDs who complete 6 months or more
2. NPS of 9+ by Venture Studio Partners, indicating that the NM EID is helping Venture Studios achieve their goal of building 2 to 4 new high-growth startups from the ground up systematically.
3. NPS of 9+ by Institutional Partners, indicating that institutions see the program as helpful in placing their students and graduates into New Mexico job opportunities.

It is also important to note that in the last five years, CNM Ingenuity has laid the foundation to create a successful, high performing NM EID program, and has spent much of that time collaborating with entities and organizations around the state to pave the way for this program. This has included managing 42 investments into NM Startups since 2015; building a community of founders trained through accelerator programs and gained experience managing companies; a strong local and national investor network through events like Ski Lift Pitch and Adventure Pitch; management of nationally-recognized SpaceTech accelerator Hyperspace Challenge; close partnership with NM Angels; software talent born out of Deep Dive Coding bootcamps; a thriving maker community through FUSE Makerspace; hardware and software prototyping through Tech Solutions Labs; leadership of emerging technology centers of excellence. NM EID will build off this successful foundation.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 272-Entrepreneur-In-Development Programs is a duplicate bill.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS