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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/2019
SPONSOR Garcia, MP **LAST UPDATED** _____ **HB** 302

SHORT TITLE South Valley Business Incubation **SB** _____

ANALYST Rabin

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
\$300.0	\$0.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$0.0	\$300.0	\$300.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 302 appropriates \$300 thousand from the general fund to the local government division of DFA for Bernalillo County to expand business incubation and entrepreneurial programs in the South Valley by contracting with community organizations.

FISCAL IMPLICATIONS

The appropriation of \$300 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund. This analysis reflects the appropriation as recurring because additional funding would be needed to operate the maintain this program going forward. Generally, if an

appropriation creates the expectation that a program will be continued in the future, it is considered recurring. Because the bill does not provide for ongoing appropriations in out-years, the estimated additional appropriations necessary to maintain this program are outlined under additional operating budget in the tables above.

SIGNIFICANT ISSUES

EDD states that small business incubators and accelerators are important in providing key support and resources to help small businesses launch, and the department has certified the South Valley Economic Development Center (SVEDC) and the WESST Enterprise Center (both located in Bernalillo County) as incubators in alignment with the International Business Innovation Association's (INBIA) best practices. The department also notes that both the WESST Enterprise Center and the co-working space Fatpipe ABQ are located within close proximity and already serve the Ranchos de Atrisco area.

EDD also notes that HB302 does not indicate which "community organization" Bernalillo county would contract with and whether they would build or certify a new incubator space, expand upon the activities and initiatives of existing incubators within the Bernalillo county, or both. DFA notes the county will need to develop a plan to ensure that such a contract does not violate the New Mexico Constitution's anti-donation clause. According to EDD, business incubators receiving state funds are required to pass a state incubator certification program administered by the department. These factors constrain how the county can expend the funds appropriated in HB302.

DFA raises concerns regarding the county's ability to expend this appropriation by the end of FY20, as following procurement code, addressing anti-donation concerns, and other, unexpected factors may cause delays and result in the appropriation being underutilized. DFA suggests that if the appropriation the bill seeks to grant were submitted as a capital outlay request, the county could be allowed a longer timeline to expend these funds.

ADMINISTRATIVE IMPLICATIONS

According to DFA, because the appropriation contained in this bill is neither a capital outlay grant nor a Community Development Block Grant allocation, it falls outside of LGD's typical project management responsibilities. The department notes that LGD would be responsible for determining how to implement the bill, and doing so would impose additional administrative responsibilities on the division.

OTHER SUBSTANTIVE ISSUES

EDD states that it allocates funding specifically for incubators to coordinate programs including technical assistance, consulting, coaching, mentoring, business training workshops, and seminars. The department is equipped to provide some financial assistance for certified incubators throughout the state interested in developing entrepreneurial programs.

ER/gb