

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov).

FISCAL IMPACT REPORT

ORIGINAL DATE 03/01/21

SPONSOR Lopez LAST UPDATED _____ HB _____

SHORT TITLE Small Business Incubators SB 292

ANALYST Martinez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		
	\$800.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)
New Mexico State University (NMSU)

SUMMARY

Synopsis of Bill

Senate Bill 292 (SB292) appropriates \$800 thousand from the general fund to the Economic Development Department to manage and support small business incubators throughout the state.

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

FISCAL IMPLICATIONS

The appropriation of \$800 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 2022 shall revert to the general fund.

The Economic Development Department provided the following:

Business incubator clients have a positive impact on the economy. Data collected and analyzed by EDD from the seven certified business incubators indicates that over two years they provided services to 217 clients who created 1,252 new jobs with an annual

payroll of \$46.9 million. These client businesses generated revenue totaling \$52.6 million and taxable gross receipts of \$127.2 million. State financial support for the seven incubators totaled \$130 thousand.

New Mexico State University provided the following:

This appropriation will provide EDD with additional resources to administer and fund small business incubators. SB292 does not specify how much of the funding will come to each of the incubators, but if it is divided somewhat equally, NMSU could expect approximately \$100 thousand. This additional funding to Arrowhead would pay for assistance to approximately 100 small businesses.

SIGNIFICANT ISSUES

The Economic Development Department provided the following:

Businesses that begin in a business incubator environment are twice as likely to succeed as businesses that start on their own. Business incubators provide training, technical assistance, mentoring and a space to operate at below-market rates. They provide the services and space with the support of partners, typically local governments, colleges or nonprofit organizations. *The business incubator model is not sustainable without financial support.* In rural areas, the support required is usually higher. Funding provided by the state leverages additional income from non-state sources.

In addition to the seven existing incubators, several rural communities are interested in establishing facilities and some had begun the process prior to the pandemic.

New Mexico State University provided the following:

Business incubators can offer space and in-person programming, as well as delivering services and resources virtually. There are approximately 900 business incubators in the US, according to the National Business Incubation Association.

There are seven state certified incubators in NM: South Valley Economic Development Center (SVEDC); WESST Enterprise Center; Santa Fe Business Incubator (SFBI); Enterprise Center at San Juan College; Arrowhead Center (Arrowhead) at New Mexico State University; Taos County Economic Development Center (TCEDC); and Navajo Tech Innovation Center (NTIC).

Arrowhead's certification as a state incubator was an important factor in the growth of our incubator (long-term, individual assistance) and development of aligned accelerator programs (cohort-based, fixed-term assistance) for small businesses. Arrowhead's incubator is unique among state incubators, as it serves the entire state, resulting in much broader impacts and the ability to provide services to more businesses. Arrowhead's programming is available in face-to-face, virtual, and hybrid delivery environments, ensuring availability of and accessibility to programming, regardless of clients' geographic proximity to programming hubs.

NMSU has witnessed the importance of access to the resources and expertise that an incubator provides to small businesses. The success of small businesses in our state is critical and key to sustaining – and growing – the economy. Startup businesses are in critical need of resources to help them survive, including access to funding, expert advice, and training. Arrowhead provides comprehensive business support through our incubator programs, including online entrepreneurial training curriculum, long-term access to expert advisors, staff, and funding sources. In addition to providing standard business assistance resources, Arrowhead also provides feasibility studies and prototyping assistance.

In FY 2020, Arrowhead served 1,179 business ventures that created or retained 1,330 jobs and had an economic impact of \$619M.

ADMINISTRATIVE IMPLICATIONS

Current staff time at EDD would be able to administer the additional funding to existing incubators and assist communities in establishing new programs.

JM/al