

LFC Requester:	Connor Jorgensen
-----------------------	-------------------------

**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 02/01/2024
Bill No: SB247

Sponsor: Senators Hickey and Munoz **Agency Name and Code** University of New Mexico-952
Short Title: Bioscience Company Investments **Number:** _____
Person Writing Lenaya Montoya
Phone: 5052771670 **Email** lenayamontoya@unm.edu

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	\$25,000.00	Nonrecurring	General

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Section 1 of SB 247 amends the Bioscience Development Act to define “portfolio business” to mean a bioscience business in which the authority has made an investment and "New Mexico business" to mean, in the case of a corporation or limited liability company, a business with its principal office and a majority of its full-time employees located in New Mexico or, in the case of a limited partnership, a business with its principal place of business and at least

eighty percent of its assets located in New Mexico.

Section 2 amends the Bioscience Development Act to allow the NMBSA to co-invest in qualified bioscience businesses that are based in or relocating to New Mexico. It also adds restrictions to the Bioscience Development Act relating to co-investment, including the requirement that investment of dollars from the Bioscience Development Fund must be matched 2:1 by the private investment organization, and requirements for the bioscience businesses receiving co-invested funds.

Section 3 appropriates \$25 million from the General Fund to the Bioscience Development Fund for the purpose of co-investment. It also stipulates that any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

FISCAL IMPLICATIONS

The appropriation of \$25 million contained in this bill is a nonrecurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year will NOT revert to the General Fund.

SIGNIFICANT ISSUES

The NM Bioscience Authority (NMBSA) is a state agency that was created by the NM Legislature as a public-private partnership in 2017 after a report showed the strength of the growing bioscience industry, its presence in New Mexico, and examples of how New Mexico could encourage and capture this burgeoning industry. For example, the bioscience industry's impact on the U.S. economy totaled \$2.6 trillion dollars in 2018, its employment base has grown more than twice as much as the overall private sector since 2016, and its wages are nearly two times the overall U.S. average.

New Mexico has the foundational elements to grow, attract, support, and foster bioscience businesses, yet it lags behind compared to other states. The problem is that while New Mexico successfully creates bioscience startups, these companies lack the capital necessary to grow their companies here and realize their full potential in New Mexico. Large out-of-state investors that can fund Series A and further investment rounds encourage companies that were "born" in New Mexico tend to leave in order to be closer to the investor, taking their intellectual capital and key personnel with them. This situation is even more dire when one realizes that, on a national basis, the bioscience industry's 1.87 million employees and associated economic output support nearly 7.5 million additional jobs through indirect and induced effects (<https://www.bio.org/sites/default/files/2020-06/BIO2020-report.pdf>). NMBSA hired a third-party firm, Econsult Solutions, to assess the situation. Its recommendation is that New Mexico needs a direct investment fund of \$25 to \$50 million to compete and establish a vibrant bioscience industry. Senate Bill 247 creates this fund.

Through the co-investment program, NMBSA and qualified private investment organizations (such as Angel Investors, Venture Capital, or Private Equity) will co-invest in qualified, selected bioscience businesses in exchange for equity, such as shares in the company. Senate Bill 247 requires that the private investment organization invest at least twice the amount invested by the NMBSA. This requirement leverages the money placed in the Bioscience Development Fund.

The selected bioscience business receives 50% more funding than it would have without NMBSA's co-investment. The bioscience business keeps its employees and spending power in New Mexico. Because the NMBSA has an equity position in the bioscience business, any acquisition of the bioscience business will net returns to shareholders that the NMBSA will place in the Bioscience Development Fund to fund further co-investment.

Provisions have been included in SB 247 to protect the state's investment and ensure that companies remain in the state and follow the requirements of maintaining at least 5 FTE high paying employees for at least 5 years after receiving the funding. If companies fail to meet these contractual obligations, consequences have been included in the language of the bill.

PERFORMANCE IMPLICATIONS

The NMBSA co-investment fund is poised to catalyze economic growth by championing innovation, fostering job creation, and attracting top talent to the state. The paramount role of job creation in nurturing the economic ecosystem cannot be overstated, and this proposed bill stands as a catalyst for driving such growth. Beyond its economic implications, the fund would serve as a dynamic force propelling and encouraging innovation and research development. Through strategic investments in both burgeoning and established bioscience companies, the fund is positioned to not only enhance industry competitiveness but also facilitate the essential diversification of the state's economy. Beyond this economic pivot, the fund carries the potential to spearhead advancements in healthcare and pave the way for expanded educational opportunities.

Bioscience jobs, known for their above-average compensation, not only contribute to individual prosperity but also elevate the overall economic landscape. The ability to diversify the economy is a strategic move that can render the state more resilient to economic fluctuations, positioning it strategically for long-term stability. In essence, the NMBSA co-investment fund transcends a mere financial allocation; it emerges as a strategic investment in the multifaceted growth and resilience of New Mexico's economic landscape.

ADMINISTRATIVE IMPLICATIONS

Administration of the fund will be managed by the NMBSA staff, including Executive Director, Stephanie Tofighi and Strategy and Policy Director, Ryan Cangiolosi. The fund will be held at the New Mexico Treasurer's Office. Disbursements from the bioscience development fund shall be made only upon warrant drawn by the secretary of finance and administration pursuant to vouchers signed by the secretary of economic development or the secretary's designee pursuant to the Bioscience Development Act.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The federal government recently said that after COVID, global industry is on the cusp of an industrial revolution powered by biotechnology. With our national labs, universities, and existing bioscience capabilities, New Mexico is uniquely positioned to be a leader in the bioscience industry. Without a fully funded Bioscience Development Fund and co-investment program, New Mexico is unlikely to attract and retain bioscience businesses, losing those jobs—and additional jobs through indirect and induced effects—to other states.

AMENDMENTS