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Brian Birk, Managing Partner, Sun Mountain Capital
Joseph Badal, Chair and Board President, Small Business Investment Corporation

ISSUES FOR HEARING

Evidence-Based Investments in Economic Development

- New Mexico has no statewide strategy or staff to guide or coordinate investments in economic development. Private venture capital investment in New Mexico companies, essential to entrepreneurs and small businesses, declined 33 percent from 2011 to 2012, falling to just \$39.9 million -- the lowest level since the recession began in 2009.
- No statewide coordination assists technology transfer out of the national laboratories and state universities -- the function is left to the individual entities. The state is home to three major national research laboratories (Los Alamos National Laboratory, Sandia National Laboratories, and the Air Force Research Laboratory at Kirtland Air Force Base).
- New Mexico's business incubators generate a return on investment (ROI) of more than 57:1, according to a 2011 report. The study found the state received \$31.5 million in tax revenue in return for the \$548.6 thousand invested in incubators during 2007 to 2010. However, the state no longer funds business incubators, some of which struggle to remain financially viable. Incubators assist small, entrepreneurial companies during the initial start-up phase -- the most critical time for a company as financial and personnel resources are typically scarce. The incubators provide both a physical location as well as support services.
- The 57:1 ROI for New Mexico's incubators exceeds the national average ROI of 30:1 provided by the National Business Incubation Association (NBIA). The NBIA also reports 84 percent of incubator graduates remain in their communities.
- The New Mexico Small Business Development Center (NMSBDC) network reports it assisted more than 79 thousand businesses since its inception and in the creation of 1,196 jobs in FY12 at a cost to the general fund of just under \$4 million, translating to a cost per job of \$3.3 thousand. However, the NMSBDC did not supply LFC staff

with documentation of companies creating the jobs for which the organization claims credit, citing federal privacy regulations.

- The State Investment Council (SIC) manages the state's permanent funds and has 69 percent of its funds earmarked for possible New Mexico-focused, economically targeted investments. In January 2013, the SIC voted to restart contributions to venture funds through its Private Equity Investment Program, authorizing up to \$40 million in new commitments annually. Investments in venture funds by the SIC typically leverage six private dollars of investment into New Mexico companies for each dollar from the SIC.
- The Legislature created the Small Business Investment Corporation (SBIC) in 2001 to promote job creation through investments statewide. At the end of FY12, the SBIC had \$35.4 million in total available, committed, and deployed assets. The SBIC has funded 2,419 loans to New Mexico companies, resulting in 5,811 new jobs. The equity investments have assisted 45 companies start or grow, but the investments over the last ten years resulted in a loss of 20.2 percent, while a comparison index gained 3 percent over the same period.

LFC HEARING BRIEF

DATE: July 19, 2013

PURPOSE OF HEARING:

Evidence-Based Investments in Economic Development

WITNESSES: John Freisinger, President & CEO, Technology Ventures Corporation; Peter Atherton, Senior Manager for Industry Partnerships, Sandia National Labs; Lisa Kuuttila, Chief Executive Officer, Science and Technology Corporation at University of New Mexico; Russ Combs, Managing Director, WESST Enterprise Center; Ray Garcia, Director, Albuquerque Small Business Development Center; Brian Birk, Managing Partner, Sun Mountain Capital; Joseph Badal, Chair and Board President, Small Business Investment Corporation

PREPARED BY: Jon Clark, Senior Fiscal Analyst II

EXPECTED OUTCOME:

Evidence supporting increases or reductions in economic development investments

BACKGROUND INFORMATION

This hearing continues the LFC's efforts to review economic development and workforce training programs in New Mexico during the 2013 interim. The LFC held a hearing in May discussing the role of state government in job creation and state and local economic development activities. In June, the LFC hearing reviewed New Mexico's labor force dynamics and workforce training programs. This hearing focuses on capital formation and investments in business management assistance. Finally, in August, the LFC will discuss gross receipts tax reform. As part of the efforts related to these hearings, LFC staff will continue to calculate data for the table in Appendix A detailing economic development expenditures. The cost per job information can assist in prioritizing funds for effective programs.

New Mexico has no statewide strategy or agency to guide or coordinate investments in economic development. No statewide function exists to assist technology transfer -- the commercialization of technologies developed in federal research laboratories and state universities -- and university researchers are not judged by any metric related to commercialization of technology-related research. The state no longer funds business incubators, some of which struggle to remain financially viable. However, evidence shows some of these investment and business management assistance programs are effective and produce positive returns on investment.

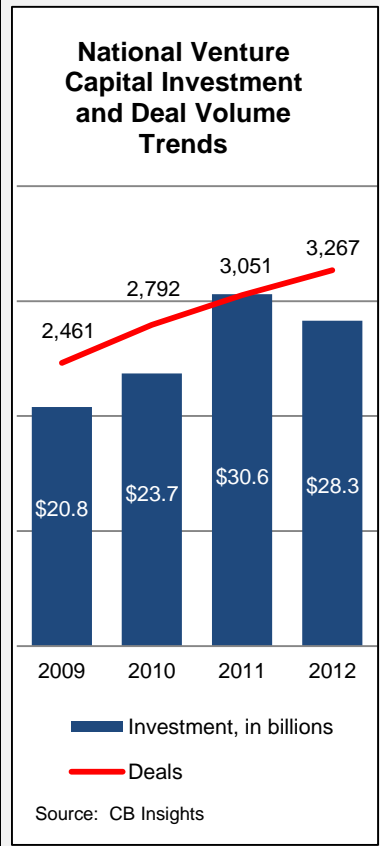
CAPITAL FORMATION

Private Venture Capital. Venture capital provides the funding many startups and growing businesses need to begin or expand operations; without a strong private venture capital industry in the state, entrepreneurs and small businesses often cannot raise the funds necessary to operate their businesses and create jobs. These funds add to the state investment resources available and extend the state's ability to promote business growth.

Private venture capital investment in New Mexico companies declined 33 percent from approximately \$59.5 million in 2011, falling to just \$39.9 million in 2012 -- the lowest level since the recession began in 2009, according to the New Mexico Venture Capital Association (NMVCA -- see Appendix B for association members). In 2012, one startup company received \$800 thousand, another eight startup companies shared \$4.4 million, and the remainder funded later-stage financing for 13 existing companies.

New Mexico's share of venture capital investments reached just over one-tenth of 1 percent of the national total for 2012. The state's share of companies receiving venture funding is somewhat better, at nearly six-tenths of 1 percent. Nationally, venture capital investments fell 10 percent during 2012 to a total of \$26.5 billion invested into 3,698 companies, according to a report by the National Venture Capital Association (NVCA) and PricewaterhouseCoopers. The report cites uncertainty due to the presidential election and fiscal cliff negotiations as a primary cause of declining investment.

A report from CB Insights shows increasing national venture capital deal numbers over the last four years and rising investment levels through 2011, ending in a drop in 2012 similar to that shown in the NVCA report.



Investments in venture funds by the SIC typically leverage six private dollars of investment into New Mexico companies for each dollar from the SIC.

According to the NVCA report, venture capital companies are experiencing difficulty raising funds to invest. Even with venture fund investments declining, 2012 was the fifth consecutive year in which outflows from venture funds exceeded dollars raised to replenish the funds, indicating additional drops in funding by venture capital companies might occur in 2013.

State Investment Council. The State Investment Council (SIC) manages the state’s permanent funds and investments for 17 additional governmental clients. While economic development is not the agency’s primary goal, the SIC reports it has several Severance Tax Permanent Fund (STPF) “carve outs” for New Mexico-focused, economically targeted investments, or ETIs. In total, the STPF currently has 69 percent of its funds earmarked for possible ETI investments. However, the SIC now takes a cautious approach regarding these types of investments, citing poor ETI historical performance and negative impact on the STPF bottom line performance and returns.

However, in January 2013, the SIC voted to restart contributions to venture funds through its Private Equity Investment Program (PEIP), authorizing up to \$40 million in new commitments annually. The SIC previously froze the PEIP during the recession, the last commitments to local venture funds occurring in 2008. In April, 2013, the SIC approved \$10 million of the \$40 million total authorization to Sierra Ventures of California. While the venture fund currently serves businesses primarily in Silicon Valley, it plans to open an office in New Mexico to assist local startups. Sun Mountain Capital (see Appendix B) recommended Sierra Ventures as the first recipient of the newly reinstated program funding, saying the fund is considered one of the top brands in the industry, managing more than \$1.5 billion in investments over the last 30 years. Sun Mountain Managing Partner Brian Birk reports SIC investments in venture funds typically leverage six private dollars of investment into New Mexico companies for each dollar from the SIC, but the amount leveraged by Sierra Ventures could be even higher, exceeding a total of \$60 million.

Small Business Investment Corporation. The Legislature created the Small Business Investment Corporation (SBIC) in 2001 to promote job creation through investments statewide. It currently receives 1 percent of the fund market value of the STPF, an increase from 0.75 percent prior to FY08. The statute allows for the SBIC to make ETIs at below-market rates if the SBIC deems accompanying economic development factors to be attractive enough to warrant the investment.

At the end of FY12, the SBIC had \$35.4 million in total available, deployed, and committed assets. Of the total, \$17.7 million is committed or deployed through the equity program, \$12.4 million is committed or deployed through the loan program, and the remaining \$5.3 million remains available to invest.

Evidence for Investment. No conclusive evidence is currently available demonstrating the effectiveness of state investments to

In January 2013, the SIC voted to restart contributions to venture funds through its Private Equity Investment Program (PEIP), authorizing up to \$40 million in new commitments annually.

| SBIC Investments Overview | |
|----------------------------------|-----------------------|
| (in thousands) | |
| | Loan Program |
| Outstanding | \$ 9,429.5 |
| Committed | \$ 2,945.5 |
| Total | \$ 12,375.0 |
| | Equity Program |
| Outstanding | \$ 12,455.4 |
| Committed | \$ 5,198.8 |
| Total | \$ 17,654.2 |

Source: SBIC

New Mexico has no coordinated statewide technology transfer effort, leaving the function to the individual research entities.

supplement private fundraising. The SIC managed the PEIP program as a below market rate program for years, focusing on economic development. Starting in 2004, the SIC managed it instead with the primary focus of financial returns. As a result, returns improved from a loss of \$56.5 million between 1993 and 2003 to a gain of \$6.5 million between 2004 and 2012. The SBIC, since inception, has funded 2,419 loans to New Mexico companies, resulting in 5,811 new jobs. However, while the SBIC’s equity investments have assisted 45 companies to start or grow, the investments over the last ten years resulted in a financial loss of 20.2 percent, while a comparison index gained 3 percent over the same period (the Cambridge Associates LLC U.S. Venture Capital Early Stage Index).

TECHNOLOGY TRANSFER

New Mexico has no statewide agency, staff, or strategic plan to support technology transfer, leaving the function to the individual research entities. Los Alamos National Laboratory (LANL) and Sandia National Laboratories have substantial technology transfer offices, and since private contractors operate both labs, they have a financial interest in commercializing technologies. However, the federal government prohibits national labs from giving preferential treatment to New Mexico businesses when licensing technologies or signing collaborative research agreements, and there is no coordinated state function to make local businesses aware of licensable technologies or encourage collaborations with the national labs. As an example, Sandia reports a technology it developed that recently won a national *R&D 100* award, the “Sandia Cooler,” offers a paradigm shift in air-cooling technology, yet of the many companies discussing licensing this technology, not one is based in New Mexico.

The state is home to three major national research laboratories (LANL, Sandia, and the Air Force Research Laboratory at Kirtland Air Force Base) -- a number unmatched by any state apart from California. However, many economic development opportunities bypass New Mexico due to a lack of state emphasis on and support for technology transfer. Acknowledging the need for state assistance, the Economic Development Department recently hosted its first technology commercialization focus group as part of an effort to identify gaps in the process of moving technology and intellectual property from the research stage to the marketplace.

Technology Ventures Corporation. Lockheed Martin, Sandia’s management company, formed a nonprofit charitable foundation, Technology Ventures Corporation (TVC), in 1993 to assist technology commercialization, business and management development, and venture funding acquisition. The TVC receives its funding from Lockheed Martin and the U.S. Department of Energy, and since its inception the company has aided the formation of 121 companies and facilitated almost \$1.2 billion in investments. Companies receiving assistance created more than 13.5 thousand new technology jobs in New Mexico over this period.

No conclusive evidence is currently available demonstrating the effectiveness of state investments to supplement private fundraising.

Louisiana has an award-winning, "best practice" technology commercialization credit and jobs program, providing a 40 percent refundable credit on costs related to commercialization of technologies researched by a Louisiana university or college. The program also provides a 6 percent payroll rebate for the creation of new direct jobs resulting from this commercialization.

Neither research staff members, nor universities as a whole, are judged by any performance metric related to commercialization of technology-related research.

University of New Mexico. The University of New Mexico (UNM) created a nonprofit corporation, Science and Technology Corporation (STC), to act as the technology transfer arm of the university. Since its inception in 1995, the STC helped launch more than 60 new businesses and assisted a record nine new companies in FY13. The university is also partnering with the city of Albuquerque and other public and private entities to build a proposed research district, "Innovate ABQ," to encourage colocation of researchers, technology startups, and support businesses to create a high-tech development zone and help commercialize technologies from the UNM and other research institutions in New Mexico. The university hired the design consulting company Perkins & Will to create plans for Innovate ABQ -- the same company that designed a research district dubbed "Innovation Square" at the University of Florida at Gainesville. The UNM President Bob Frank stated Innovation Square is a national best practice technology development center during the university's recent economic development summit, and the University of Florida reports it tops the list of best public universities for transferring research discoveries to the marketplace.

New Mexico State University. The Arrowhead Center at New Mexico State University (NMSU) hosts the Office of Intellectual Property and Technology Transfer, created in 2005, designed specifically to manage and protect intellectual property out of the university, including commercializing technologies. This office employs graduate students to serve as liaisons between Arrowhead Center staff and university researchers to achieve three primary objectives: to provide the students with directed technology commercialization learning experience, to make the commercialization resources readily available to NMSU researchers, and to identify commercially viable research early to allow simultaneous development and commercialization work. The Arrowhead Center also houses a business incubator to assist startup companies.

New Mexico Institute of Mining and Technology. The New Mexico Institute of Mining and Technology (NM Tech) does not have a dedicated technology transfer office, but the Research and Economic Development Office vets technologies for commercial viability. According to *Albuquerque Business First*, NM Tech commercializes fewer technologies than UNM or NMSU; however, NM Tech has a "home run" success story the other two universities do not have -- the development and commercialization of the nicotine patch in the late 1970s and 1980s. The first royalty check totaled \$5 million, and although the U.S. patent expired, NM Tech still receives royalties from its patents in Europe and Asia.

BUSINESS INCUBATORS

Business incubators assist small, entrepreneurial companies during the initial start-up phase -- the most critical time for a company as financial and personnel resources are typically scarce. The incubators provide both a physical location as well as support services, with the goal of graduating incubated businesses into self-supporting companies. Support services often include management guidance,

New Mexico has five active and certified business incubators, located in Albuquerque, Bernalillo County, Santa Fe, Farmington, and Las Cruces.

Business Incubator Returns on Investment (dollars in millions)

| | |
|--|--------|
| State Investment in Incubators 2007-2010 | \$0.5 |
| State Tax Revenues Generated by Incubators 2007-2010 | \$31.5 |
| State Return on Investment | 57:1 |
| Additional Local Taxes Generated by Incubators 2007-2010 | \$20.5 |
| National Average Return on Investment | 30:1 |

Sources: Impact DataSource and NBIA

technical assistance, and shared business services such as administrative personnel. The facilities usually provide flexible space and lease arrangements. Incubators are often associated with high-tech products or services, but the types of businesses incubated vary significantly and also include more traditional industry sectors.

The Legislature established the incubator certification program and requirements in 2005. New Mexico has five active and certified business incubators:

1. The Santa Fe Business Incubator (SFBI) opened in 1997 and now includes 30,000 square feet of office, laboratory, and light manufacturing space. More than 70 companies have launched from the incubator, creating over 700 jobs and generating revenues greater than \$100 million. More than 80 percent of the SFBI's graduates are still in business or have been merged with or sold to existing companies.
2. The WESST Enterprise Center in Albuquerque opened its 37,000 square foot facility in January 2009 and targets light manufacturing, service, professional, and technology businesses. The facility can house up to 20 clients; since its opening, Enterprise Center tenants have created 197 new jobs.
3. Bernalillo County's South Valley Economic Development Center, which opened in 2004, has incubated 109 businesses, creating more than 350 jobs. The 17,000 square foot facility is located in a historical agricultural area and includes a large commercial kitchen to support food-based businesses.
4. The Enterprise Center at San Juan College in Farmington opened in 1997, serving more than 50 companies during that time and resulting in more than 200 jobs created. The incubator houses oil and gas industry services, professional services, software development, and light manufacturing clients. The Enterprise Center is one component of the Quality Center for Business, housing numerous additional business assistance and economic development functions. This results in easy access for incubated business to a variety of services.
5. The Arrowhead Technology Incubator in Las Cruces is located on the New Mexico State University campus. It provides services to technology-based companies and partners with the National Nuclear Security Administration to advance homeland security technologies.

New Mexico's incubators generate a return on investment (ROI) of more than 57:1, according to a 2011 report. The Economic Development Department (EDD) hired a contractor, Impact

Eighty-four percent of companies graduating from incubators remain in their communities.

Eighty-seven percent of incubated businesses survive four or more years compared to 44 percent of all new small businesses.

DataSource, to perform an ROI study to determine the tax revenues the state received for its investment. The study found the state received \$31.5 million in tax revenue in return for the \$548.6 thousand invested in incubators during 2007 to 2010. Beyond the reported ROI, the incubators also returned \$20.5 million in local tax revenues during this time. The EDD processed the state funding for certified incubators, but later diverted the funds to other department activities. The state ceased all incubator operational funding during the depths of the recession, and funding has not yet resumed.

The 57:1 ROI for New Mexico’s incubators exceeds the national average ROI of 30:1 provided by the National Business Incubation Association (NBIA). The NBIA also reports 84 percent of incubator graduates remain in their communities, whereas anecdotal evidence from venture capitalists indicates many companies receiving such funding without incubator assistance eventually relocate to other areas. Additionally, studies show businesses graduating from incubators are far more likely to survive than others. The U.S. Small Business Administration reports 87 percent of incubated businesses survive four or more years, while just 44 percent of all new small businesses survive that long.

During 2011, New Mexico’s incubators assisted 102 tenants who reported a combined \$45 million of funding for operations. The incubators graduated an additional 76 companies, generating \$95.3 million in revenues. The current tenants and graduates employ a total of 2,657 people at an average salary of \$39.4 thousand. However, some of the positions are likely part-time, artificially lowering the annual salary level. Despite this, the average salary exceeds the state’s 2011 per capita income of \$33.3 thousand.

| 2011 Business Incubator Economic Impact (dollars in millions) | | | |
|---|----------------|------------------|----------------|
| | Tenants | Graduates | Total |
| Number of direct businesses operating during 2011 as a result of incubator activities | 102 | 76 | 178 |
| Total annual revenues generated by these businesses | \$48.9 | \$95.3 | \$144.2 |
| Total jobs created and supported | 1,143 | 1,514 | 2,657 |
| Total annual salaries paid to workers | \$46.1 | \$58.7 | \$104.8 |
| Property tax added to rolls | \$16.0 | \$24.6 | \$40.6 |
| Annual taxable gross receipts generated on: | | | |
| Revenues of direct & indirect businesses | \$36.7 | \$71.5 | \$108.2 |
| Taxable spending by workers | \$18.4 | \$23.5 | \$41.9 |
| Taxable spending by businesses | \$4.3 | \$19.4 | \$23.7 |
| Total gross receipts | \$59.4 | \$114.4 | \$173.8 |

Source: Impact DataSource

The New Mexico Small Business Development Center (NMSBDC) reports a cost per job of \$3.3 thousand for FY12 and a total of 1,196 jobs created during the year. However, the NMSBDC did not supply LFC staff with documentation of companies creating the jobs for which the organization claims credit, citing federal privacy regulations.

SMALL BUSINESS DEVELOPMENT CENTERS

The New Mexico Small Business Development Center (NMSBDC) network reports it assisted more than 79 thousand businesses since its inception and assisted in the creation of 1,196 jobs in FY12. However, the NMSBDC did not supply LFC staff with documentation of companies creating the jobs for which the organization claims credit, citing federal privacy regulations. The Legislature created the NMSBDC in 1989, which now has offices in 20 communities throughout the state. These centers provide a wide variety of assistance for business start-ups and expansions, including seminars and workshops. The NMSBDC employs 74 people with reported averages of more than 10 years of small business management or ownership experience and nearly eight years' experience working at the NMSBDC. The reported job numbers at a cost to the general fund in FY12 of just under \$4 million translate to a cost per job of approximately \$3.3 thousand, a relatively moderate cost compared to other state-funded job creation programs. Funding for FY14 is slightly higher at nearly \$4.2 million.

JC/blm

APPENDIX A

| FY14 Summary of State Appropriations and Tax Expenditures for Economic Development ¹ | | | | | |
|---|--|----------------------------|-------------------|---------------------|-------------------------|
| | Description | General Fund (millions) | OSF (millions) | Total (millions) | Cost/Job (thousands) |
| Economic Development Dept. | Economic Development Department | \$ 5.7 | \$ - | \$ 5.7 | \$ 2.2 |
| Marketing and Business Recruitment | New Mexico Partnership | \$ 0.9 | \$ - | \$ 0.9 | \$ 0.9 |
| | Tourism Department marketing | \$ 5.4 | \$ - | \$ 5.4 | \$ 0.7 |
| | Cultural Affairs Department marketing | \$ 0.2 | \$ - | \$ 0.2 | |
| Infrastructure Development | MainStreet Program ² | \$ 0.5 | \$ - | \$ 0.5 | \$ 1.7 |
| Workforce Development | Job Training Incentive Program (JTIP) | \$ 3.0 | \$ - | \$ 3.0 | \$ 5.2 |
| Closing Funds | Local Economic Development Act (LEDA) | \$ 3.3 | \$ - | \$ 3.3 | \$ 11.9 |
| Business Mgt. Assistance | Small Business Development Centers (SBDCs) | \$ 4.2 | \$ - | \$ 4.2 | \$ 3.3 |
| University Research and Business Development | UNM Manufacturing Engineering Program | \$ 0.6 | \$ - | \$ 0.6 | |
| | UNM HSC Cancer Center | \$ 2.6 | \$ - | \$ 2.6 | |
| | NMSU Arrow head Business Center | \$ 0.2 | \$ - | \$ 0.2 | |
| | NMSU Carlsbad Mfg Sector Development | \$ 0.2 | \$ - | \$ 0.2 | |
| | NMSU Manufacturing Sector Development | \$ 0.4 | \$ - | \$ 0.4 | |
| | NMTech Energetic Materials Research Center | \$ 0.7 | \$ - | \$ 0.7 | |
| | NMTech Geophysical Research Center | \$ 0.8 | \$ - | \$ 0.8 | |
| | NMTech Homeland Security | \$ 0.5 | \$ - | \$ 0.5 | |
| | NMTech Institute - Complex Additive Sys. Anls. | \$ 0.7 | \$ - | \$ 0.7 | |
| | NMTech Petroleum Recovery Research | \$ 2.0 | \$ - | \$ 2.0 | |
| Human Services Department | TANF Workforce Program | \$ - | \$ - | \$ 9.7 | |
| Tax Expenditures | Film production credit (cap) | \$ (50.0) | \$ - | \$ (50.0) | n/a |
| | High-wage jobs credit | \$ (24.1) | \$ - | \$ (24.1) | \$ 25.5 |
| | Investment tax credit | \$ (7.0) | \$ - | \$ (7.0) | n/a |
| | Construction-related GRT deduction | \$ (14.3) | \$ (7.2) | \$ (21.5) | n/a |
| | Technology jobs credit | \$ (6.3) | \$ - | \$ (6.3) | n/a |
| | Manufacturing GRT deduction ³ | \$ (18.2) | \$ (12.5) | \$ (30.7) | n/a |
| | Tax holiday sales deduction | \$ (4.1) | \$ - | \$ (4.1) | n/a |
| | Tax increment for development district (TIDD) | \$ (3.8) | \$ (1.6) | \$ (5.4) | n/a |
| | Laboratory partnership small business credit | \$ (3.2) | \$ - | \$ (3.2) | n/a |
| | Veteran employment tax credit | \$ (2.5) | \$ - | \$ (2.5) | n/a |
| | Racetrack exemption | \$ (2.0) | \$ - | \$ (2.0) | n/a |
| | Sales to film companies | \$ (1.0) | \$ (0.8) | \$ (1.8) | n/a |
| | Small breweries & wineries liquor excise | \$ (0.8) | | \$ (0.8) | n/a |
| | Rural jobs credit | \$ (0.7) | \$ - | \$ (0.7) | \$ 2.9 |
| | Military construction | \$ (0.5) | \$ (0.3) | \$ (0.8) | n/a |
| | Angel investment credit | \$ (0.2) | \$ - | \$ (0.2) | n/a |
| | Baseball stadium exemption | \$ (0.2) | \$ (0.2) | \$ (0.4) | n/a |
| | Military transformation programs | \$ (0.2) | \$ (0.1) | \$ (0.3) | n/a |
| | Double-weighted sales apportionment | \$ (0.1) | \$ - | \$ (0.1) | n/a |
| | R&D small business credit | \$ (0.1) | \$ - | \$ (0.1) | n/a |
| | Spaceport deduction | \$ (0.1) | \$ (0.0) | \$ (0.1) | n/a |
| | Space test articles | \$ (0.1) | \$ (0.1) | \$ (0.2) | n/a |
| | Space vehicle fuel deduction | \$ (0.1) | \$ (0.1) | \$ (0.2) | n/a |
| | Software services in rural areas | \$ (0.1) | \$ (0.1) | \$ (0.2) | n/a |
| | Boxing promotion | \$ (0.1) | \$ (0.1) | \$ (0.2) | n/a |
| | Venture Capital Investment tax credit | \$ - | \$ - | \$ - | n/a |
| | Industrial Revenue Bonds ⁴ | n/a | n/a | - | n/a |
| | Total State Cost | \$ 171.88 | \$ 23.14 | \$ 204.72 | n/a |

Notes:

Source: LFC Files

- Estimated fiscal impacts for tax expenditures are preliminary and subject to revision.
- The MainStreet Program also received a capital outlay appropriation of \$0.5 million for FY14.
- The manufacturing GRT deduction is phased in at 20 percent per year until fully implemented in FY17 at a cost of \$80 million.
- Estimates are not available at this time.
- Highlighted expenditures were NOT updated by TRD in their 2012 New Mexico Tax Expenditure Report.

APPENDIX B: NEW MEXICO VENTURE CAPITAL ASSOCIATION (NMVCA) MEMBERS

1. Sun Mountain Capital, founded in 2006, is based in Santa Fe and operates as an advisor and direct investment fund manager for the State Investment Council's economically targeted investments. Sun Mountain's direct investment programs have no specific industry sector or company life cycle investment focus in order to diversify the portfolio. Sun Mountain manages investments ranging from \$300 thousand to \$10 million and has more than \$500 million in private equity assets under management and advisement.
2. Cottonwood Technology Fund provides pre-seed and seed funding to companies primarily in the Los Alamos to El Paso and Austin to Phoenix corridors. The fund typically provides half of an initial investment in the \$1 million to \$2 million range.
3. Epic Ventures is a growing regional and national fund with offices in New Mexico, Utah, and Idaho. The fund supports early-stage technology companies.
4. Flywheel Ventures is a southwest regional venture company focused on information technology and physical sciences. It provides seed and early-stage funding as well as hands-on operational assistance. The company has offices in Santa Fe, Albuquerque, and Silicon Valley.
5. International Venture Fund provides seed and early-stage funding for high-tech companies in emerging technology locations across the country, primarily focusing on New Mexico, Arizona, Hawaii, Utah, and Silicon Valley.
6. Mesa Capital Partners provides early-stage funding to high-potential small businesses located in geographic regions or in industries underserved by other capital providers, often targeting companies outside high-tech industries. Investments range from \$500 thousand to \$2 million provided to companies with annual revenues typically less than \$3 million.
7. New Mexico Community Capital provides investments in the \$500 thousand to \$1 million range, along with management resources, to businesses throughout New Mexico, focusing on rural and other underserved communities.
8. The Verge Fund supplies seed funding to New Mexico companies in the earliest stages of development, concentrating on technology businesses such as clean technology, electronics and materials, and software as a service. Verge actively works with management, or serves as management, until experienced executives are recruited.
9. vSpring Capital has more than \$350 million of committed capital under management and primarily targets early-stage life sciences and information technology companies headquartered in the "intermountain west" region. vSpring's investments range from \$250 thousand to \$5 million.