

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 03/15/01 HB 599/aHFL #1
 SHORT TITLE: Invest in Minority-owned Small Businesses SB _____
 ANALYST: Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

State Investment Council (SIC)

SUMMARY

Synopsis of House Floor Amendment #1

The Floor amendment changes the ownership requirement from 50 percent to 51 percent, effectively making the eligibility requirement such that a majority of the business is owned by minorities (women or Hispanic, Native American, African American or Asian heritage).

Synopsis of Original Bill

The bill would modify the existing New Mexico Venture Capital Program to include giving consideration to investments in New Mexico venture capital funds whose investments enhance the economic development objectives of the state and that invest in minority-owned small businesses.

Investments may be made with limited partnerships, limited liability companies or corporations with an office in New Mexico whose primary business activity is investing in minority owned small businesses. The minimum committed capital of the investment fund that may receive funds from the New Mexico Venture Capital Program is \$3 million.

A small minority owned business is defined as one whose majority ownership is held by individuals who are women or of Hispanic, Native American, African-American or Asian heritage.

The amount invested in any one New Mexico venture capital fund shall not exceed 75 percent of the committed capital of that fund.

FISCAL IMPLICATIONS

This bill has no fiscal impact.

ADMINISTRATIVE IMPLICATIONS

The State Investment Council report that in addition to film financing, the small business investment corporation and this bill, additional funding for contracted expertise and/or additional FTE may be required.

OTHER SUBSTANTIVE ISSUES

The New Mexico Venture Capital Program has a total return objective under the Prudent Investor Rule that takes risk under consideration when evaluating potential New Mexico Venture Capital Program investment opportunities. The SIC may be more cautious when considering such investments as proposed in this bill. Currently, the minimum committed capital for other New Mexico venture capital funds is \$15 million.

The amount of committed capital required acts as a limiting factor for the SIC who, before the \$15 million minimum was in place, were approached by many venture capitalists that they thought did not fit the profile of the type of investments they consider.

To date, the New Mexico Venture Capital Program has resulted in the funding of eight start-up companies in New Mexico, with investments totaling over \$86 million. This has created hundreds of jobs for New Mexicans, both in the companies started and companies that act as suppliers to these firms.

The total annualized return of the New Mexico Program from inception to September 30, 2000 is 43.92%.

JBE/njw