

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

FISCAL IMPACT REPORT

SPONSOR <u>Hickey</u>	LAST UPDATED _____ ORIGINAL DATE <u>1/30/2023</u>
SHORT TITLE <u>CNM Venture Studio</u>	BILL NUMBER <u>Senate Bill 177</u>
	ANALYST <u>Jorgensen</u>

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$5,000.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Responses Received From

Central New Mexico Community College (CNM)
 Higher Education Department (HED)

SUMMARY

Synopsis of Senate Bill 177

Senate Bill 177 appropriates \$5 million from the general fund to Central New Mexico Community College (CNM) for the purpose of developing and launching a venture studio to build and develop local companies.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

The appropriation of \$5 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY28 shall revert to the general fund. Although this bill does not specify future appropriations, multiyear appropriations, particularly if used to fund services, create an expectation the program will continue in future fiscal years; therefore, this cost could become recurring after the funding period.

SIGNIFICANT ISSUES

CNM reports:

Data published by GSSN (Global Startup Studio Network) in 2021, show that the startups produced by a Studio perform better than traditional startups both in terms of success rate and also in time to raise funds. Specifically:

- 70 percent decrease in average time from founding to first round: 10.7 months (Studio) vs 36 months (traditional);
- 47 percent decrease in average time from startup founding to Exit: 4.3 years (Studio) vs 8 years (traditional); and
- 60 percent increase in IRR: 53 percent (Studio) vs. 21.3 percent (traditional).

This legislation aligns with and strategically leverages the State’s various venture capital investment programs already active or coming online in calendar year 2023, such as the State Investment Council’s Emerging Manager Program; New Mexico Finance Authority’s Venture Capital Program; Economic Development Department’s State Small Business Credit Initiative Program.

Over a 10-year period, the REMI analysis also shows the potential for direct job growth of 1,016 with increase in employment of 425 jobs—the vast majority of which are high-paying tech jobs.

CNM submitted an FY24 request through the research and public service (RPSP) process for \$500 thousand to support the venture studio. Neither the LFC nor the executive budget included funding for this project.

CJ/rl/ne/mg