

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 42

51st Legislature, 1st Session, 2013

Tracking Number: .190548.2

Short Title: Statewide Certified Business Incubators

Sponsor(s): Senator Linda M. Lopez and Representative Nick L. Salazar

Analyst: James Ball

Date: January 23, 2013

Bill Summary:

SB 42 makes an appropriation to support certified business incubators statewide.

Fiscal Impact:

\$200,000 is appropriated from the General Fund to the Economic Development Department (EDD) for expenditure in FY 14. Unexpended or unencumbered funds revert to the General Fund.

Substantive Issues:

EDD's analysis of SB 42 states that:

- according to the US Small Business Administration only 44 percent of new small businesses survive more than four years;
- incubated businesses have a survival rate of 87 percent;
- SB 42 will support entrepreneurs and early stage companies with free or below-market services, training, and mentoring;
- public funding is essential to the survival of any incubator; and
- National Business Incubation Association statistics indicate that an incubator must receive between 25 percent and 50 percent of its income from sources other than its tenant businesses in order to be effective and sustainable.

Background:

According to EDD;

- the certified business incubator program was established by the Legislature in 2005;
- the program received state funding in five fiscal years (FY 06 through FY 10);
- funding was reduced significantly in FY 10 and discontinued in subsequent fiscal years. The state has provided a total of \$548,600 in funding to the five certified business incubators;
- a 2011 economic impact study indicated a cost benefit ratio for the funding of 57 to 1, or \$57.49 for each dollar of public funding;
- during FY 07 to FY 10 total tax revenue returned to state and local taxing districts was estimated to be \$52.0 million; and

- tax revenues generated by incubator tenants and graduates in FY 11 alone totaled nearly \$13.0 million.

The EDD analysis also states that:

- state funding for the business incubation program has demonstrated a substantial return on its investment;
- business incubation has been recognized globally as an essential component for economic growth,
- approximately 80 percent of the businesses that graduate from an incubator remain within 50 miles of the facility after graduation; and
- nationally, small businesses generated 65 percent of all new jobs created for the last 17 years. In New Mexico this percentage is even higher.

Related Bills:

HB 75 *Business Attraction & Retention Program*