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FISCAL IMPACT REPORT

SPONSOR Martinez, K./Papen **ORIGINAL DATE** 02/04/15
LAST UPDATED 03/18/15 **HB** 306

SHORT TITLE Business Recruitment & Expansion **SB** _____

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$500.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 166 and Relates to HB 2

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 306 appropriates \$500 thousand from the general fund to the Economic Development Department (EDD) for the Economic Development Corporation (DBA New Mexico Partnership) to expand its marketing and prospect-development efforts.

The bill requires EDD to report to the appropriate interim legislative committee on the results of the Partnership's efforts to recruit and expand business.

FISCAL IMPLICATIONS

The appropriation of \$500 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2016 shall revert to the general fund.

SIGNIFICANT ISSUES

The Partnership was created in 2003 as a nonprofit organization tasked to promote New Mexico to businesses outside the state, and to recruit companies to locate in rural and urban areas of New

Mexico. Initially funded with nonrecurring special appropriations, funding for the Partnership has fluctuated over time. The organization receives nearly its entire operating budget through a contract with EDD. Appropriations to EDD for the Partnership peaked at \$1.4 million but decreased during the economic downturn to a low of \$630 thousand. The FY15 operating budget for the Partnership includes \$930 thousand from EDD.

Funding for the Partnership is important because most communities throughout the state do not have sufficient staffing levels or budget to facilitate business recruitment. Most communities rely on the Partnership to generate and filter prospective business relocations to economic development staff and chambers of commerce in local communities. The organization provides project management, hosts site visits for prospective clients, and helps to develop skills in the local communities to prepare for client visits. The Partnership reports that in comparison, several regional cities have recruitment budgets larger than the statewide Partnership, including Denver, Phoenix, Tucson, and Austin, which each have multi-million dollar budgets.

EDD reports increased funding for the Partnership should align with the request for additional dollars for the Local Economic Development Act (LEDA) closing fund. Additional funding for the Partnership allows better marketing to increase awareness of the closing fund, and additional LEDA funding would help the Partnership to close more deals, creating more jobs.

EDD also notes the Partnership's FY15 budget includes approximately \$200 thousand in private sector dollars raised to supplement the \$930 thousand from the state. The appropriation in this bill would increase the budget by greater than 50 percent in FY16, allowing the Partnership to significantly increase its outreach and add more direct marketing efforts to its current menu of sales missions and trade shows.

ADMINISTRATIVE IMPLICATIONS

This bill creates minimal additional administrative costs as the appropriation supplements an existing program.

DUPLICATION, RELATIONSHIP

The bill duplicates SB 166.

The bill relates to an appropriation in HB 2, which contains an increase of \$250 thousand for the Partnership.

JC/je/aml