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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 2/22/2015

**SPONSOR** Martinez, K.      **LAST UPDATED** \_\_\_\_\_      **HB** 402

**SHORT TITLE** NM Small Business Development Center      **SB** \_\_\_\_\_

**ANALYST** Hartzler

### APPROPRIATION (dollars in thousands)

| Appropriation |         | Recurring<br>or Nonrecurring | Fund<br>Affected |
|---------------|---------|------------------------------|------------------|
| FY15          | FY16    |                              |                  |
|               | \$850.0 | Recurring                    | General Fund     |

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

|              | FY15 | FY16    | FY17    | 3 Year<br>Total Cost | Recurring or<br>Nonrecurring | Fund<br>Affected |
|--------------|------|---------|---------|----------------------|------------------------------|------------------|
| <b>Total</b> |      | \$850.0 | \$850.0 | \$1,700.0            | Recurring                    | General<br>Fund  |

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act, Section 4J, Higher Education, Santa Fe Community College, Small Business Development Center

Relates to Appropriation in the General Appropriation Act, Economic Development Department

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)  
 Small Business Development Center (SBDC)  
 Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

House Bill 402 appropriates \$850 thousand from the general fund to HED to distribute to Small Business Development Centers (SBDCs).

## **FISCAL IMPLICATIONS**

The appropriation of \$850 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY16 shall revert to the general fund. However, if this appropriation is appropriated directly to SBDCs in the General Appropriation Act (GAA), language in Section 4 of that bill would designate the funding as nonreverting to the general fund.

For FY15, SBDCs have an approved operating budget of \$5.4 million, of which \$4.4 million, or 80 percent, is in general fund support. Nearly \$1 million in non-state revenues include federal grants to provide technical assistance and planning to small businesses access federal grants and contracts. As noted by HED, the SBDC requested an \$800 thousand general fund appropriation expansion for FY16. HB 2, as passed by the House, does not include this expansion, instead appropriating \$4.4 million in general fund revenue for this statewide program.

## **SIGNIFICANT ISSUES**

The SBDC serves 20 centers throughout the state. The SBDC executive director reports that The New Mexico Legislative Jobs Council Final Report (December 19, 2013) outlined “economic base” job-creation as its primary metric. “Economic base” refers to jobs that yield goods or services that are sold outside of the state. The report indicated a total of 160,833 additional economic base jobs would need to be created by 2024 in order to return the state to pre-recession job levels.

To align SBDC services with the state’s efforts to accomplish this task, SBDC seeks to enhance existing service offerings and job creation outcomes by conducting targeted outreach to existing small businesses capable of creating economic base jobs in New Mexico.

EDD noted that additional revenues are needed to improve SBDC operations. “For many years the SBDCs have served the small business community with technical assistance and training. This is an essential service and particularly critical to New Mexico, a truly small business state. With offices throughout the state, the services they provide are unique to the SBDCs and would be missed should they not receive funding.”

According to *Cost Per Job Created: Summary of Tax Expenditures and FY15 Appropriations for Economic Development* (LFC, Volume III (Jan. 2015)), SBDC’s spend \$2.4 thousand in general fund appropriations per job created or maintained.

## **PERFORMANCE IMPLICATIONS**

SBDC reports performance measures and targets as part of HED’s annual budget review process. The center reports number of new jobs created, number of jobs retained, number of new businesses started, and dollar amount of loans and equity secured. Performance outcomes are client verified and collected in a statewide, program-specific, database system.

## **ADMINISTRATIVE IMPLICATIONS**

HED notes that it would require additional staffing to administer this appropriation and distribute

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funds to SBDC. However, a direct appropriation to SBDC in the General Appropriation Act (GAA) would eliminate HED's need for additional staffing.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB 402 duplicates a general fund appropriation in the GAA, Section 4J Higher Education, Santa Fe Community College, Small Business Development Centers.

**POSSIBLE QUESTIONS**

- What specific services would SBDC enhance if additional funding was available? What metrics would be applied to measure success of providing additional services?

TH/je