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FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/2015
SPONSOR Cisneros/Gonzales **LAST UPDATED** _____ **HB** _____

SHORT TITLE NMSU Economic Development Promotion **SB** 98

ANALYST Hartzler

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$100.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$100.0	\$100.0	\$200.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act, Section 4J, Higher Education, New Mexico State University, Arrowhead Center for Business Development

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
 New Mexico State University (NMSU)

SUMMARY

Synopsis of Bill

Senate Bill 98 appropriates \$100 thousand from the general fund to the Arrowhead Center for Business Development (Arrowhead Center) at NMSU to further economic development and promote entrepreneurship throughout the state.

FISCAL IMPLICATIONS

The appropriation of \$100 thousand contained in this bill is a recurring expense to the general fund. As stated in the bill, any unexpended or unencumbered balance remaining at the end of FY16 shall revert to the general fund. However, should the appropriation be included in Section 4 of the General Appropriation Act as a line-item to each institution, the funds would not revert to the general fund.

NMSU submitted this request for \$100 thousand increase for this program during HED's FY16 budget review process. For FY16, HED requested the FY15 level of general fund support for this program, \$238.2 thousand, and both the LFC and Executive recommended the same level of support.

SIGNIFICANT ISSUES

According to NMSU,

the Arrowhead Center addresses multiple economic needs in the state: 1) the need for technology-based economic development, an area in which New Mexico continues to lag, despite a high level of federal R&D expenditures; 2) the need for business and job creation; and 3) the need to create an entrepreneurial environment. Arrowhead programs support taking products to market, business creation and growth, entrepreneurial training, and policy and economic analyses.

Arrowhead is facing a significant increase in demand for its resources and services, specifically due to growth in the number of businesses created out of university innovation and statewide demand for assistance in creating and growing technology businesses. Expansion funding is required to meet this growing demand through increased capacity to help launch businesses, train entrepreneurs, and grow young firms throughout New Mexico.

Additional funding in SB 98 will help the Arrowhead Center's efforts by:

- Providing at least 50 non-NMSU companies and entrepreneurs with intensive services from the Center's network of investors, experienced entrepreneurs and subject-matter experts. Additional funds will help the center expand efforts throughout New Mexico to assist aspiring entrepreneurs, startups and young businesses with Arrowhead resources and connections within the Arrowhead Innovation Network.
- Increasing the Center's capacity to foster student-led businesses, with a target of creating 25 new businesses in FY16. Arrowhead is currently working with NMSU students (mostly graduate students) and recent graduates pursuing startup ventures in fields ranging from solar energy technologies to local food-sourcing to STEM curriculum tools. In some cases, student-led businesses are licensing technologies from NMSU and the national laboratories in New Mexico, leveraging federal research funding in the state. In FY14, Arrowhead services led to 11 newly-registered businesses in New Mexico.

PERFORMANCE IMPLICATIONS

NMSU currently reports its performance measures as part of HED's annual budget review process. Since the university's proposed performance measures and targets for FY16 (stated above) are based on FY15 funding levels, perhaps the targets should be increased upon enactment of SB 98 or its equivalent.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 98 duplicates an appropriation in the General Appropriation Act, though the general fund appropriation in SB 98 would provide a 30 percent increase over FY15 general fund levels.

TH/je