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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/17
LAST UPDATED 2/06/17 **HB** 165a/HLEDC

SPONSOR Ely

SHORT TITLE Higher Ed Economic Development Reporting **SB** _____

ANALYST Dulany

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		>\$45.0	>\$60.0	>\$105.0	Recurring	Institutional Budgets

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

University of New Mexico (UNM)
 New Mexico State University (NMSU)
 Higher Education Department (HED)
 Economic Development Department (EDD)
 New Mexico Independent Community Colleges (NMICC)
 Santa Fe Community College (SFCC)

SUMMARY

Synopsis of HLEDC Amendments

The House Labor and Economic Development Committee amendments specify only programs at four-year public postsecondary educational institutions that use state funds to administer or provide facilities for economic development or entrepreneurship are required to report the data mandated in this bill.

Synopsis of Original Bill

House Bill 165 adds a section to Chapter 21 NMSA 1978 to require any public postsecondary educational institution that administers or provides facilities for a program to support economic development, entrepreneurship, or job creation to develop performance metrics in consultation with the Higher Education Department (HED), report the program's goals beginning September 1, 2017, and report the programs performance for the preceding fiscal year beginning August 1,

2019. HB 165 further requires HED to submit a report containing all performance information to the Economic Development Department, the Department of Finance and Administration, and the Legislative Finance Committee.

FISCAL IMPLICATIONS

Postsecondary institutions are likely to incur costs in collecting and reporting the information required in HB 165; however, institutions may already collect this information. As an example, Santa Fe Community College’s (SFCC) Small Business Development Centers (SBDC) currently collects and reports the number of jobs created or saved each year as part of accreditation requirements through the U.S. Small Business Administration.

Two institutions reported HB 165 will require them to incur additional costs:

NMSU’s Arrowhead Center for Business Development indicates an additional .25 FTE would be required to design and develop a data reporting system in the first year HB 165 is implemented, with an additional .10 FTE to maintain the system for the following years. The center estimates the staff cost at \$20 thousand in the first year and \$10 thousand each year thereafter.

The University of New Mexico’s STC.UNM (formerly known as Science & Technology Corporation at UNM) reports anticipated costs in implementing the provisions of this bill to contract and perform a survey of economic impact from the university’s programs. STC anticipates these costs will be \$25 thousand in the first year and \$50 thousand thereafter.

SIGNIFICANT ISSUES

The state currently supports several programs that would be subject to the provisions of HB 165, including:

Institution	Program	FY17 General Fund Appropriation (in thousands)
New Mexico State University	Arrowhead Center for Business Development	\$313.4
New Mexico State University	Economic Development Doctorate	\$92.4
Santa Fe Community College	Small Business Development Centers	\$4,096.6
New Mexico Institute of Mining and Technology	Energetic Materials Research and Testing Center	\$788.7
New Mexico Institute of Mining and Technology	New Mexico Center for Homeland Security	\$518.7

As part of HED’s research and public service project request process, each of these programs submits objectives and performance measures to the department each fall. Although, for the most part, these measures are not submitted by the institution to LFC and the Department of Finance and Administration (DFA) as part of the Accountability in Government Act (AGA), LFC and DFA staff do have the opportunity to review the performance information as part of the budget recommendation process. Although AGA measures are reviewed and targets are set through LFC and DFA consensus each year, the measures submitted to HED through the research and public

service request process are not reviewed in advance by LFC or DFA staff, and targets are set by institutions.

For FY18, DFA and LFC agreed to add an AGA performance measure for the SBDC at SFCC. The program will report on the cost per job created or saved by the program, with an FY18 target of \$3,000 per job.

The Council of University Presidents reports annually on a number of postsecondary outcomes, including a summary of each member institution's contributions to economic development. The report, however, does not provide specific job creation data.

EDD notes entrepreneurship programs are not specifically focused on job creation. These programs typically provide assistance to help businesses grow past the "start-up phase" to sustainability, at which time it leaves the program as a stand-alone business ready to create new jobs.

According to EDD:

“In 2005 the Legislature created a state business incubator certification program. The purpose of the legislation was to set forth best practices for business incubator facilities, which are dedicated specifically to assisting entrepreneurs and new business start-ups. The [statute] requires the incubator be certified by [EDD] in order to receive any state funds. Two of the state's certified incubators reside within post-secondary institutions; New Mexico State University and San Juan College. Recurring funding is provided in [EDD's] budget for the incubators. In order to receive this support, each incubator must report performance data to [EDD] which includes businesses assisted, jobs and revenue created by those businesses, as well as a number of other indicators of the incubator's performance.”

PERFORMANCE IMPLICATIONS

HB 165 focuses on the number of jobs created as a metric for economic development. As noted above, SBDC reports on the number of jobs created *or saved*. SBDC has previously noted the importance of advising businesses in order to help maintain existing employment.

EDD suggests the two performance metrics outlined in HB 165 may not fully assess the success of an economic development program. EDD suggests developing performance measures specific to the mission and goals of each program.

Public postsecondary educational institutions will need to ensure associated entities provide performance data on employment outcomes. Institutions may need to build these requirements into contracts when institutions begin working with such businesses or start-up companies.

TECHNICAL ISSUES

HED notes the phrase "...to develop intellectual property..." is broad and could apply to most academic research.

ADMINISTRATIVE IMPLICATIONS

STC.UNM suggests it will face challenges in gaining compliance from start-up companies which with it works.

ALTERNATIVES

Existing AGA measures could be expanded to include the information required in HB 165 from each public postsecondary educational institution.

AMENDMENTS

The House Labor and Economic Development Committee amendments specify only programs that use state funds must report the data required in the bill. Revenues for these programs collected through fee-for-service or private grants and contracts may be classified as “other state funds.” Further, central administrative operations, such as human resources, may use general fund appropriations to support the functions of a program. As a result, some programs that do not receive a direct general fund appropriation may still fall under the purview of HB 165a/HLEDC.

TD/jle/sb