

EXECUTIVE SUMMARY

THIRTY-SECOND NEW MEXICO FIRST TOWN HALL: “GROWING AN ENTREPRENEURIAL ECONOMY: SMALL AND EMERGING BUSINESS IN NEW MEXICO”

Las Cruces, New Mexico • April 15 -17, 2004

The Town Hall reached consensus on a vision for the state’s entrepreneurial economy and on recommendations for achieving and maintaining that economy.

The Vision: New Mexico will be a nationally recognized example of business and capital growth by creating a vibrant small and emerging business culture with demonstrated and repeated entrepreneurial success. This vision relies on the premise that private industry is best suited to making decisions concerning business growth and wealth creation.

Numerous barriers to entrepreneurship were cited by the Town Hall, including:

- the uneven quality of K-12 education and its lack of emphasis on entrepreneurial skills, loss of educated and trained New Mexicans to other states, and problematic access to training in job skills and business development training;
- limited financial resources and gaps in our mix of capital sources; in fact, a significant challenge to spawning growth ventures in New Mexico is lack of exposure to investment capital;
- infrastructure barriers, especially in rural areas, such as lack of availability and access to transportation, communications, utilities and energy systems;
- cost and availability of health and business liability insurance for small business owners;
- limiting or defeatist attitudes, a risk-averse culture, a dislike of change and a reluctance to share information.

The Town Hall agreed that economic development happens in the private sector and can be supported by government. Certain nongovernmental entities can focus on growing certain businesses with high economic potential. Business clusters can be organic and evolve naturally; they are often the results of core competencies. Clusters with entrepreneurial potential include high technology, agriculture, publishing, filmmaking and media (including digital media), artisan manufacturing, tourism, aviation/aerospace, and energy.

The public-private partnership is an important piece of the economic development landscape in New Mexico. Public/private sector partnerships are most effective when there are clearly delineated roles for each sector. The role of the public sector should be to provide appropriate tax policy, infrastructure development, workforce training, and access to other publicly provided incentives and resources to foster entrepreneurship and business development.

Four major priorities were identified by the Town Hall.

Priority #1: increased collaboration among current and/or new support centers. In conjunction with New Mexico’s Small Business Development Centers (SBDCs) and the New Mexico Economic Development Department, a state-funded, statewide certification program for business incubation should be established. Ways must be found to eliminate the “information glut” by organizing, packaging and marketing information on available resources and services for emerging and small businesses. SBDCs or similar entities could simplify and funnel information and coordinate networking opportunities between businesses. Resources should be steered to recruit small business owners to mentor other small business owners and/or interns by providing relevant, hands-on guidance. These resources can be found among chambers, university branches, community colleges and SBDCs.

Priority #2: taxes. New Mexico’s tax code should be rewritten to reduce its complexity and to remove conflicts. Uniform application of the tax laws should be ensured through better education of small businesses; fair and equitable enforcement of tax laws should be ensured. For example, the pyramiding of gross receipts taxes on services could be removed and tax credits could be granted on investments in small and emerging businesses to encourage more angel investment. Investments in New Mexico’s small businesses should be exempted from capital gains tax, and greater incentives should be provided for investments in rural small businesses. Tax breaks should be given for companies that invest in intellectual capital, e.g., employee education. New Mexico tax requirements

should be compared with other states and revised to provide incentives to small and emerging business. Public-sector contracting needs to have an in-state preference and a level playing field.

Priority #3: streamline the regulatory process. Common-sense practices should be implemented to reduce time inefficiencies and red tape. A one-stop shop should be established for small businesses within existing agencies. Particular agency employees should be designated to shepherd entrepreneurs through required processes. The state small business ombudsman should coordinate with those agency employees. Quality training with a particular emphasis on customer service and performance measures should be provided for all staff.

Priority #4: help small businesses obtain affordable healthcare and liability insurance. The Town Hall recommends that a market-driven healthcare/insurance system be created for small businesses that recognizes the complexity of the overall existing healthcare system. The decoupling of healthcare coverage from sources of employment to encourage employee mobility should be explored.

The Town Hall also suggested:

- developing a public relations campaign and channeling success stories to the media promoting focus on measurable outcomes (e.g., wealth creation);
- diversifying and maximizing investment performance on state funds by enabling PERA and the Educational Retirement Board to target industry standard allocations in alternative asset classes such as venture capital, micro-lending and other types of private equity and debt;
- direct flight access to key markets including San Jose, California, and Austin, Texas;
- injecting innovation and technology into government entities that assist small and emerging businesses;
- encouraging local communities to take primary responsibility for their own broadband implementation;
- supporting community programs that cultivate entrepreneurial skills in youth, such as Junior Achievement, 4-H, and DECA;
- learning lessons about entrepreneurial infrastructure Research Triangle Park, San Diego, Austin or other appropriate models;
- filling gaps in education and training resources, access to capital, debt, and equity, and directing services through for-profit and non-profit/governmental organizations;
- modifying the university mindset regarding economic development and entrepreneurial/small business support; and
- adopting the National Governors Association's recommendations.

Long-range tasks identified by the Town Hall included marketing to inform the public about services provided to small and emerging businesses; improving agency and organization services through a consumer orientation; focusing on the capital community, in addition to entrepreneurs, as the "customer," and implementing E-Mercado New Mexico as the business information resource of New Mexico.

Signs that progress is being made toward an entrepreneurial economy could include the following:

- number of jobs created, reduced unemployment, higher per capita income;
- more business startups, new/renewed business licenses, fewer business failures;
- successful public stock offerings;
- churn rate;
- companies backed by venture capital or corporate capital;
- improved rankings on national studies; and
- expanded tax revenues.

Progress will be demonstrated by positive changes in metrics that are cooperatively identified, defined and agreed upon by Town Hall members and other service providers. The Economic Development Department should act as facilitator for compiling and sharing data and broadly communicating the results. This will demonstrate to the people of New Mexico, the nation and beyond that our state is a leader in the generation, growth and sustainability of successful small and emerging businesses.