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# ECONOMIC IMPACTS OF THE NM SMALL BUSINESS INVESTMENT CORPORATION

Prepared for New Mexico Small Business Investment Corporation

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**Bureau of Business & Economic Research**

THE UNIVERSITY *of* NEW MEXICO

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## Introduction

Seeking a third-party, independent study to measure and quantify the economic impacts of their economic development efforts, the New Mexico Small Business Investment Corporation (SBIC) commissioned UNM BBER to analyze the self-reported and third-party data sources. Because the SBIC does not make any direct investments but, rather, partners with lending and equity partners, this study evaluates the loan and equity portfolio-level data and periodic reporting of the SBIC partners: The Loan Fund, Accion, WESST, Verge, Flywheel, and New Mexico Community Capital. The majority of SBIC investment partners are designated Community Development Financial Institutions, which seek to provide business loans, and technical support. Technical support activities include working with entrepreneurs on business plans, developing websites and marketing plans, and education and training opportunities. Typical trainings include financial education, accounting classes, trainings on compiling financial statements in the form of income statements, balance sheets, cash flow statements, etc.

Rather than reviewing and describing the business incubation and small business technical support activities, this study focuses explicitly on the direct and indirect economic impacts generated by the lending and equity investment activities in which the SBIC is engaged. The principle metrics considered are Employment, Labor Income, Output, and the associated economic Multipliers. Employment includes full-time and part-time jobs. Labor Income entails employee compensation in the form of wages and benefits. Output is the total market value of goods and services that go to final and intermediate consumption, which contributes to the state's domestic product. Economic Multipliers measure the secondary and tertiary effects of the SBIC's direct impacts.

This study is organized as follows. Part 1 provides an overview of the SBIC, its founding, and its investment activities aimed at supporting economic development efforts in the state of New Mexico by supporting small businesses through loans and equity investments; this section also briefly discusses the challenges facing small businesses in accessing the capital in the form of loans and equity investments needed to not only grow but sustain their businesses. Part 2 reviews the methodological issues related to measuring the impacts of lending and equity investment efforts aimed at community and economic development. This section considers the industry standard method of utilizing self-reported data, and a similar method that substitutes self-reported data with payroll data from the Unemployment Insurance Wage Record database<sup>1</sup> to which BBER has access, followed by a description of the sector-based input-output model

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<sup>1</sup> These data come from the Department for Workforce Solutions Unemployment Insurance Wage Record database, referred to as the DWS wage record or UI data throughout this document. Specifically, this data source allows us to determine the number of employees and compensation in the form of wages, salaries, and benefits.

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(IMPLAN) and the economic impact evaluation method used in the Results section of this study; last, this section discusses the different data inputs utilized by the model by type (loan/debt and equity) as well as additional sources employed by this study. Part 3 details the results of the IMPLAN model as measured by Direct, Indirect, and Induced impacts. Direct impacts measure the immediate economic activity generated by the SBIC supported companies. Indirect impacts measure the spending by other New Mexico businesses doing business with the SBIC supported businesses. Induced impacts measure the personal consumption expenditures of workers employed by the SBIC supported companies. Importantly, the input-output sector-based model utilizes North American Industrial Classification System (NAICS) industrial sector classifications. See the glossary contained in Appendix 1 of this report for definitions and explanations of technical terms.

## Executive Summary

Charged with furthering economic development activities in the state of New Mexico by supporting small businesses through debt and equity, the SBIC commissioned UNM BBER with conducting an independent economic impact analysis of their investment activities between 2011 and 2015. The three principal measurements employed by this study are Labor Income, Employment, and Output. This study estimates that SBIC investment activities generated \$69 million in cumulative Output. The Labor Income impact of the SBIC was \$23.9 million for the study period. Jobs created by the SBIC investment activities totaled 646.

The related economic multipliers are 1.6 for Labor Income, 1.5 for Employment, and 1.3 for Total Output. That is, for every \$1 million in Labor Income generated directly by SBIC investment activities, an additional \$600,000 was created indirectly. For every 100 jobs created directly, 50 new jobs were created indirectly. Similarly, an Output multiplier of 1.3 means that for every \$10 million in economic activity created directly, an additional \$3 million was created indirectly.

Importantly, the sector-based input-output method used to estimate impacts is parsimonious compared to the measurement methods used by many Community Development Financial Institutions engaged in small business and microlending activities. This is largely due to the fact that the input-output method is only concerned with the dollar amount loaned or invested and how it was used (construction, renovations, equipment, working capital).

For comparison purposes, we replicated the standard methodology, substituting self-reported data with Unemployment Insurance Wage Record Data (DWS). This approach yielded the following results. Firms receiving equity and loan proceeds helped to support 1,588 existing jobs and supported an estimated 1,210 proprietors. Under this method the cumulative incremental change in employment was 781 jobs.

The equity portfolio has managed to support arguably good quality jobs as measured by annual compensation. For example, the mean 2015 income for these jobs was \$58,000 compared to \$59,736 nationally and \$50,373 in New Mexico.



## 1. **SBIC Overview, the Small Business Environment & Access to Affordable Capital**

Created and enabled under the Small Business Investment Act (SBIA), 58-29-1 NMSA 1978, in 2001 the SBIC targets small businesses in New Mexico for the purpose of advancing the SBIA objectives of “providing business services and debt or equity capital to new and expanding businesses” and to “create job opportunities.” The Act explicitly mandates the SBIC to “cooperate with small business development centers, regional economic development districts and parties that have demonstrated abilities and relationships in providing financial services to new and emerging businesses; make investments that consider the enhancement of economic development objectives of the state as described in the SBIA.”

As the enabling statute implies, the SBIC does not make direct investments, instead partnering with local nonprofit lenders focused on the small business segment of the credit market and by investing passively in private equity vehicles. Governed by a board of appointed directors the SBIC focuses on allocation decisions and the selection of qualified and experienced investment professionals. The SBIC selects partners with experience in making loans and investments, and delegates the vetting of individual investments, the origination and underwriting of opportunities, and buy and sell decisions to their equity and lending partners.

Small businesses are an important component of the national and local economies, contributing nearly half of the country’s employment and gross domestic product.<sup>2</sup> Accessing affordable credit and investment capital is critical to supporting ongoing as well as new business activity for firms of all sizes. This is particularly important for the SBIC and their economic development mandate because stable and growing businesses facilitate expanding employment opportunities and greater wealth for business owners and employees alike.

### 1.1. **SBIC Portfolio Overview**

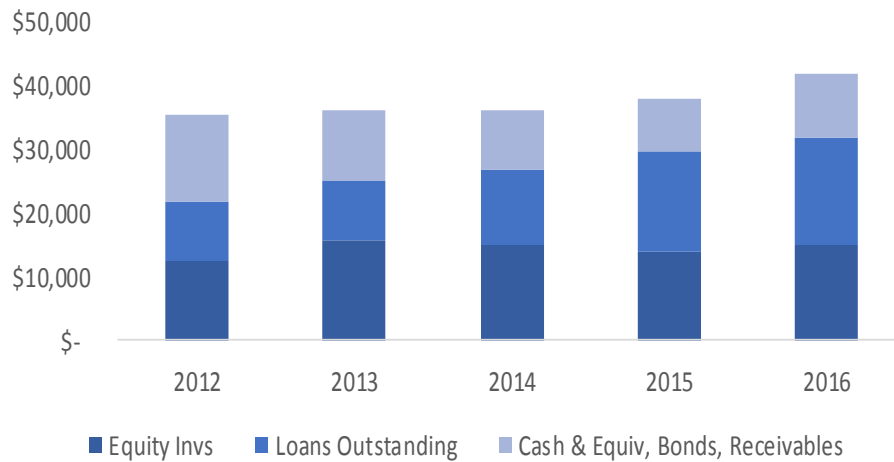
After pursuing a barbell approach to risk previously with assets divided between venture equity and debt investments, the SBIC has adjusted its focus by expanding its loan portfolio while not making any new equity investments with one exception of participating in follow-on investments in existing portfolio companies. As a result, the SBIC board has positioned its portfolio more conservatively in the last five-years with 40% of invested in capital in loans, 36% in equity and over 20% in cash, cash equivalents, and a conservative bond pool with the New Mexico State Investment Council. (Figure 1)

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<sup>2</sup> The National Small Business Association. The Small Business Association defines companies with less than 500 employees as small businesses.

# Economic Impacts of the New Mexico Small Business Investment Corporation

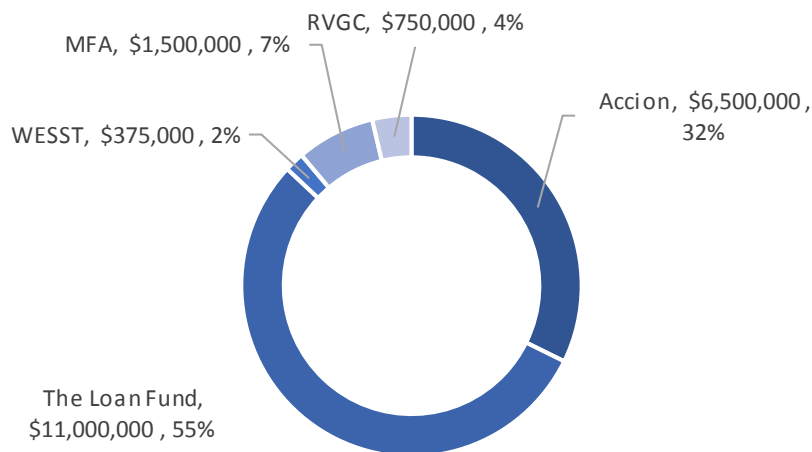
**Figure 1. SBIC Asset Allocation**



Source: SBIC Annual Financial Statements

With over \$20 million in loan commitments, the SBIC partners with the New Mexico Community Development Fund (also known as The Loan Fund or “TLF”), Accion, and WESST. The SBIC also has two small revolving loans, which includes the New Mexico Finance Authority (MFA) to support senior and low-income housing development, and Rio Vista Growth Capital, a provider of mezzanine funding. As Figure 2 illustrates, The Loan Fund is the SBIC’s largest loan partner as measured by committed capital (\$11 million), followed by Accion (\$6.5 million). Commitments to WESST, MFA, and Rio Vista Growth Capital are \$375,000, \$1.5 million, and \$750,000, respectively. By partnering with lenders targeting small businesses, the SBIC investment dollars play a large role in supplying capital to small businesses throughout New Mexico.

**Figure 2. SBIC Lending Partner Weights by Commitment**

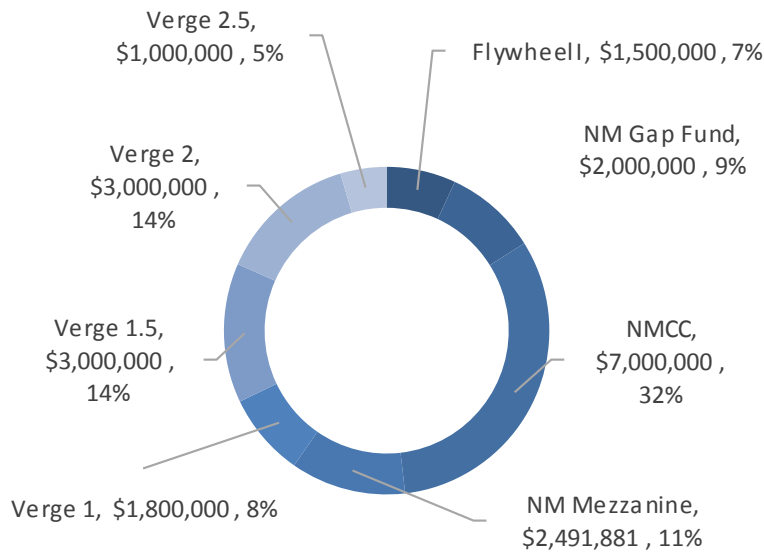


Source: SBIC Partner Statements

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The SBIC's equity portfolio consists of seven active investment funds and four relationships. As Figure 3 depicts, Verge Fund is the largest relationship with \$8.8 million in committed capital across four funds, followed by NM Community Capital (NMCC) at \$7 million, and finally Flywheel with \$3.5 million between Fund I and the NM Gap Fund.<sup>3</sup> The NM Mezzanine Fund seeks to provide short-term bridge financing for private equity investments. This fund is not included in this analysis given its yield-oriented profile and given that investment performance is outside the scope of the economic impact study. These start-up and early-stage venture capital investments are with private equity funds investing primarily in small businesses in New Mexico. With most of the commitments made in the middle of last decade, approximately 60% of the SBIC's equity investments were drawn prior to the period from 2011-2015, which is the focus of this study.

**Figure 3. SBIC Equity Partner Weights by Commitment Size**



Source: SBIC Partner Statements

## 1.2. The Small Business Environment in New Mexico

As Figure 4 shows, small businesses account for 96% and 98% of all firms in the US and New Mexico, respectively. The majority of these business fall into what the US Census categorizes as Small (20 to 99 employees) and Very small (fewer than 20) enterprises. In New Mexico these "Very small" companies, micro-businesses in the case of the SBIC

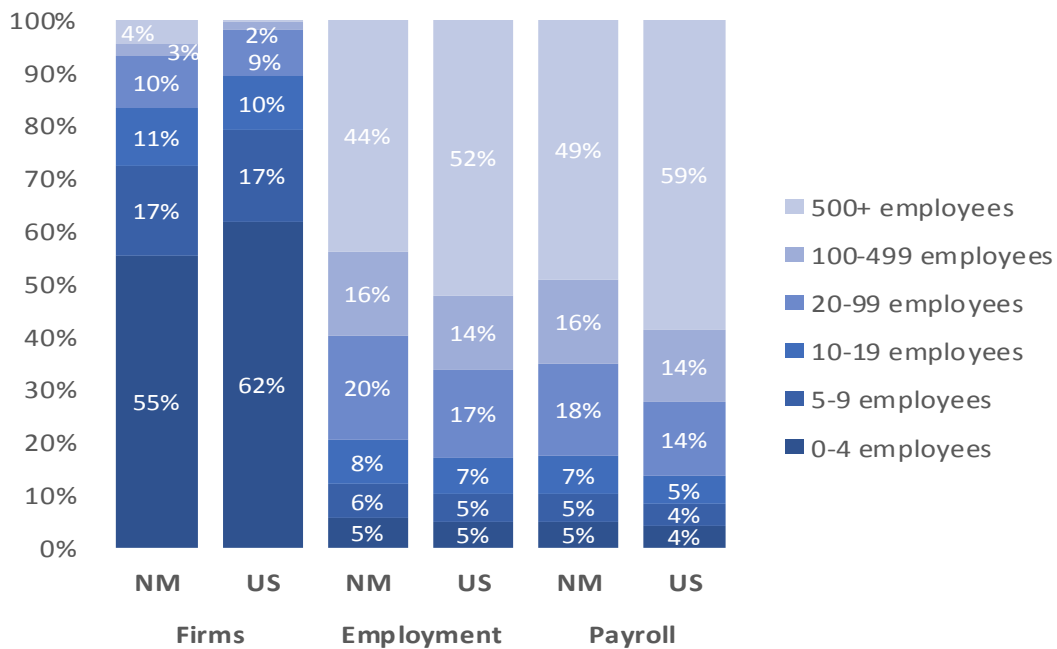
<sup>3</sup> The Mesa Growth funds are also excluded from this analysis given that these two funds are closed.

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loan portfolio, are especially important to the local economy, outnumbering businesses with twenty or more employees 5-to-1 and accounting for 55% of all businesses in the state.<sup>4</sup>

As it relates to jobs and labor compensation, establishments employing less than 100 workers account for 34% of employment in the US and 40% in New Mexico; businesses with less than 100 workers are responsible for 27% of employer payrolls nationally and 35% in New Mexico. Establishments employing less than five workers account for only 5% of employment and payroll both nationally and locally. (Figure 4) Although firms with less than five workers do not represent a significant percentage of the state’s employment they do provide small business owners with their livelihood and generate important revenues for the local economy.

**Figure 4. Firms by Size: Number, Employment, & Payroll**



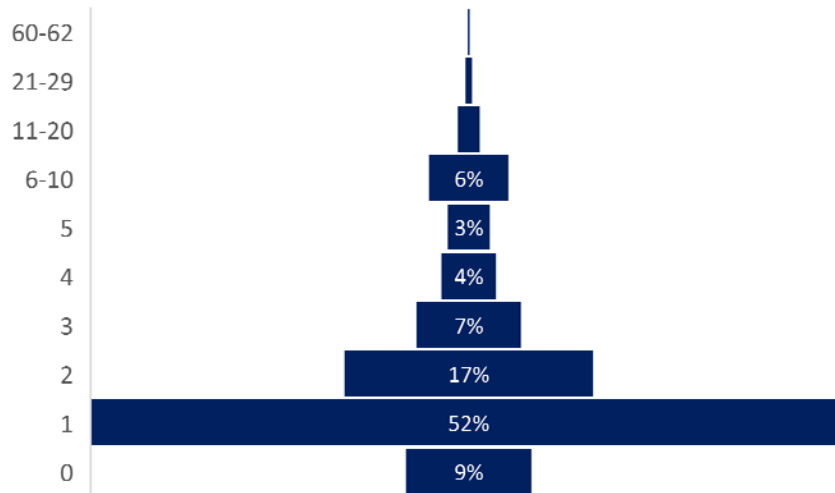
Source: US Census County Business Patterns, SUSB, 2014

SBIC supported companies are even smaller, as measured by the number of workers they employ, than firms considered by the US Census survey. Utilizing data collected by SBIC lending partners, as Figure 5 shows, over 90% of SBIC borrowers reported employing five workers or less.

<sup>4</sup> Firms that generate \$100,000 to \$1 million in annual sales.

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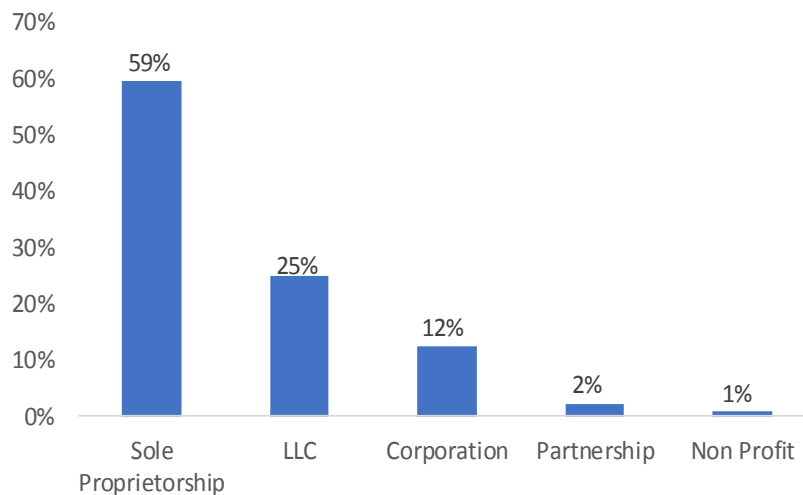
**Figure 5. Business Size by Employment for SBIC Loan Portfolio, 2011-2015**



Source: SBIC Partner Statements

Roughly two-thirds of SBIC borrowers may not have any employees in a strict sense. That is to say they do not pay unemployment insurance, because they are either a sole proprietor or are registered partnerships or LLCs where only the owner provides labor for her business or she uses contractors to run the operations of her business.<sup>5</sup> (Figure 6)

**Figure 6. Borrower Legal Structure for SBIC Loan Portfolio, 2011-2015**



Source: SBIC Partner Statements

<sup>5</sup> There were 23 firms (1.7%) with 11-20 employees, 7 firms with 21-29 employees, and 2 firms with 60 employees.

## 1.3. Access to Affordable Capital, Credit Scarcity for Small Businesses

Recent data suggests that nonprofit microfinance and Community Development Financial Institutions (CDFIs), including SBIC lending partners (TLF, Accion, WESST) exist because many small businesses have difficulty getting loans. According to the National Small Business Association, nearly a third of small businesses are unable to access adequate capital.<sup>6</sup> In fact, the inability to access capital is more acute for nascent companies and the smallest businesses, which are typically one and the same. A 2015 credit survey by the Federal Reserve Bank of New York (FRBNY) found that nearly half (46%) of microbusinesses applying for commercial loans in the last year had their applications denied. For those approved only half received the full amount for which they requested. Typical reasons for denial given were the lack of collateral, the size of the requested loan was smaller than the conventional minimum loan, and an insufficient financial track record.<sup>7</sup> Firms with revenues under \$100,000, the FRBNY study focuses on businesses generating revenues of \$100,000 to \$1,000,000 per year, are likely to experience difficulty qualifying for loans if not to a greater extent.

The SBIC has doubled their loan portfolio by expanding commitments to their lending partners over the last several years. As a result the outstanding loan portfolio has grown from \$8 million in 2009 to \$16.9 million in 2016. In contrast, commercial banks became more reluctant to lend in the aftermath of the 2008-2009 Global Financial Crisis as the Net Loan to Asset ratio for commercial banks has steadily declined from 81% in 2009 to 62% by 2016.

## 2. Study Methodology, Data, & Data Sources

### 2.1. Conventional Treatment for Determining CDFI Employment Impacts

The conventional approach to measuring impacts used by many CDFIs is to collect self-reported data related to employment, sales, borrower race and ethnicity demographics, and information aimed at understanding if investment dollars are having a measurable impact on the lives of loan recipients and the communities they live.<sup>8</sup> However, recent studies have critiqued these methods, remarking on the need for a standardized

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<sup>6</sup> The National Small Business Association 2016 Mid-Year Economic Report.

<sup>7</sup> 2015 Small Business Credit Survey: Report on Employer Firms, Federal Reserve Bank System, March 2016. Businesses also identified long wait times, and difficult application processes as among the greatest challenges in securing conventional loans.

<sup>8</sup> The Goldman Sachs Small Business Finance Forum published a technical memo on CDFI impact measurements, which was supported by a survey of partners in the GS Small Business CDFI Growth Collaborative.

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performance measurement framework and metrics for assessing the success of CDFIs.<sup>9</sup> One of the greatest criticisms is the fact that data is self-reported. This approach assumes, without verification, that all existing and created job numbers, for example, are accurate. This approach also credits 100% of the activity to the borrower or lender, assuming that a business would cease to exist absent the CDFI loan or investment.

Other approaches to measuring impacts focus on quality of life and business resiliency, however, securing accurate historical data outside of topline information would likely prove difficult at best especially among the smallest businesses that may lack the detailed record-keeping of larger enterprises.<sup>10</sup> Nevertheless, most evaluators continue to utilize self-reported data collected at the time of loan applications with current and expected employment as the primary variables for assessing economic impacts. (Swack, et. al.) SBIC lending partner impact measures are in-line with industry practice by adhering to this standard.

To establish a baseline for this study and to allow for comparison to other assessments, BBER has undertaken a comparable analysis of SBIC activities for the period from 2011 to 2015. As Table 1 depicts, SBIC partners funded loans to 1,372 firms that reported employment of 3,179 and estimated they would create 987 new jobs in connection with loan proceeds.

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<sup>9</sup> Swack, Hangen, Northrup, CDFIs Stepping into the Breach: An Impact Evaluation – Summary Report, The Carsey School of Public Policy University of New Hampshire. A study for the Office of Financial Strategies and Research Community Development Financial Institutions Fund U.S. Department of the Treasury, August 2014.

<sup>10</sup> Swack, Hangen, Northrup (2014). Measuring the impact of nonprofit community lenders and microlenders have previously focused on quality of life (as measured by personal wealth of business owner and business stability) and business resiliency (sales, cash flow, and profitability). Although personal wealth effectively tracks the progress of individual business owners, which proves effective for sole proprietors or business owners that do not employ any workers directly, this method is not ideal for capturing formal employment and wages. Business resiliency assumes that higher margin businesses with strong cash flow creates job opportunities for the local labor force, however, many of the borrowers in the SBIC portfolio likely lack the detailed record keeping and formal financial statements required to track these metrics, this is particularly the case with Accion, which represents more than two-thirds of the SBIC loan portfolio. The Carsey Institute has developed an interesting approach to impact assessment that focuses on determining if CDFI investment dollars are reaching historically underserved borrowers, borrowers who are less likely to access mainstream lending products and financial services. Carsey uses poverty measures, employment, CDFI designated investment areas, household income as the main criteria for determining the percentage of loans made to the target population. Although methodologically rigorous this approach places less emphasis on quantifying financial outputs, making the IMPLAN model superior in this regard.

**Table 1. Existing and New Jobs to be Created as Reported by SBIC Borrowers**

<u>Employees</u>	<u>Firms</u>	<u>Existing Jobs</u>	<u>New Jobs</u>
0	131	0	113
1	788	657	287
2	259	518	180
3	109	327	116
4	57	228	65
5	44	220	58
6-10	83	628	128
11-20	23	311	16
21-29	7	168	24
60 to 62	2	122	0
<b>Total</b>	<b>1,372</b>	<b>3,179</b>	<b>987</b>

*Source: SBIC Partner Statements*

With respect to the equity investments in the SBIC portfolio, researchers have attempted to assess the role of private equity in business and economic development. The methodologies employed are compelling as they are diverse, however, using the sector-based input-output model employed with the loan portfolio is methodologically consistent. Additionally, this approach is superior given its quantitative advantages.<sup>11</sup>

## **2.2. Conventional Treatment for Employment Impacts (using Wage Record Data)**

BBER is able to substitute the self-reported data with wage record data for firms formally employing workers, i.e. paying unemployment insurance. We were able to utilize these data by linking employer identifier information provided by SBIC partners with the records contained in the database, which provides wage information for all employees for whom unemployment insurance is paid. These data detail total compensation by worker.

For the loan portfolio, utilizing loan data supplied by SBIC partners from 2011 to 2015, businesses with more than one loan within the study period were counted once, including revolving lines of credit. Additionally, only the annual employment in the year that a loan was funded was included in the calculation for cumulative jobs. Table 2 and Table 3 display the results of the wage record data in terms of number of jobs and payroll amounts supported by SBIC borrowers by industry sector. The results show 1,653 cumulative jobs and \$31 million in payroll over the last five years. (Tables 2 & 3)

<sup>11</sup> Various studies have touted the benefits to companies backed by private equity funds, including productivity gains, lower default rates (Kaplan and Stromberg, 2009), increased firm starts (Samila and Sorenson) and an increased rate of new business creation (Popov and Roosenboom, 2009). Others consider the age and size of a firm and their impact on job creation.



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**Table 2. Loan Portfolio Jobs Reported by DWS Employers by 2-Digit NAICS**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
11 Agriculture, Forestry, Fishing and Hunting	-	-	1	-	-	1
21 Mining, Quarrying, and Oil and Gas Extraction	-	7	-	2	-	9
23 Construction	19	33	25	23	24	124
31-33 Manufacturing	3	8	13	38	25	86
42 Wholesale Trade	7	-	4	4	29	44
44-45 Retail Trade	32	38	27	24	13	133
48 Transportation and Warehousing	4	20	40	2	-	65
52 Finance and Insurance	-	-	6	-	8	14
53 Real Estate and Rental and Leasing	9	7	-	1	2	19
54 Professional, Scientific, and Technical Services	9	6	26	-	24	64
56 Admin and Support, Waste Mgmt and Remed Svc	105	18	21	1	41	186
61 Educational Services	22	6	44	3	5	80
62 Health Care and Social Assistance	62	-	94	20	31	207
71 Arts, Entertainment, and Recreation	1	-	7	33	-	41
72 Accommodation and Food Services	44	151	164	77	38	475
81 Other Services (except Public Administration)	12	9	28	49	12	109
<b>TOTAL</b>	<b>328</b>	<b>303</b>	<b>497</b>	<b>274</b>	<b>251</b>	<b>1,653</b>

Source: NM DWS Unemployment Insurance Wage Records

**Table 3. Loan Portfolio Payroll Reported by DWS Employers by 2-Digit NAICS (\$1,000's)**

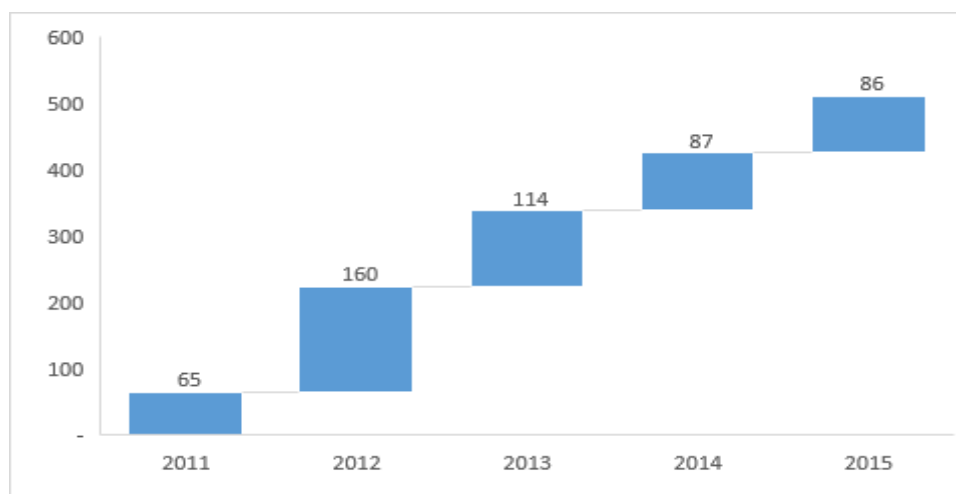
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
11 Agriculture, Forestry, Fishing and Hunting	-	-	12	-	-	12
21 Mining, Quarrying, and Oil and Gas Extraction	-	189	-	59	-	248
23 Construction	303	850	418	282	417	2,270
31-33 Manufacturing	43	97	359	1,034	353	1,886
42 Wholesale Trade	174	-	102	72	941	1,290
44-45 Retail Trade	408	475	516	147	131	1,678
48 Transportation and Warehousing	172	262	526	90	-	1,050
52 Finance and Insurance	-	-	-	-	169	169
53 Real Estate and Rental and Leasing	235	62	-	14	12	322
54 Professional, Scientific, and Technical Service:	275	351	574	-	1,016	2,216
56 Administrative and Support and Waste Manag	442	93	340	3	1,558	2,438
61 Educational Services	1,385	95	165	39	25	1,709
62 Health Care and Social Assistance	888	-	1,903	216	2,053	5,059
71 Arts, Entertainment, and Recreation	9	-	33	157	-	199
72 Accommodation and Food Services	323	1,602	1,530	803	395	4,652
81 Other Services (except Public Administration)	288	111	763	1,119	286	2,566
<b>TOTAL</b>	<b>5,396</b>	<b>4,758</b>	<b>8,116</b>	<b>5,215</b>	<b>7,840</b>	<b>31,326</b>

Source: NM DWS Unemployment Insurance Wage Records

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Figure 7 shows the change in annual employment for the loan portfolio. For example, for borrowers receiving loans in 2011, the 2012 number captures the incremental year-over-year change in employment for these firms. For borrowers with multiple loans, this approach only counts the first loan funding. The cumulative total for this analysis is 514 jobs.

**Figure 7. Incremental Change in Annual Employment for Loan Portfolio**



Source: NM DWS Unemployment Insurance Wage Records

The same approach can be applied to the equity portfolio. Tables 4 and 5 depict the results of these calculations. The number of jobs reported by companies held in the equity portfolio declined from 395 in 2011 to 270 and payrolls declined from nearly \$20 million in 2011 to roughly \$16 million in 2015. This is likely due to companies being acquired or merged with other firms and jobs being relocated out of state. Firms going out of business is an additional factor.

**Table 4. Equity Portfolio Jobs Reported by DWS Employers by 2-Digit NAICS**

		2009	2010	2011	2012	2013	2014	2015
23	Construction	3	-	-	-	-	-	-
33	Manufacturing	160	156	185	186	145	114	107
31-33	Manufacturing	173	170	199	198	155	124	118
42	Wholesale Trade	10	14	14	7	-	-	-
44-45	Retail Trade	40	34	24	17	15	18	14
48-49	Transportation and Warehousing	47	48	63	67	57	55	41
51	Information	10	15	19	21	23	25	25
54	Professional, Scientific, and Technical Services	47	39	45	45	47	52	40
56	Admin, Support, Waste Mgt & Remediation Svcs	31	32	32	32	33	31	33
	<b>TOTAL</b>	<b>359</b>	<b>352</b>	<b>395</b>	<b>386</b>	<b>329</b>	<b>305</b>	<b>270</b>

Source: NM DWS Unemployment Insurance Wage Records

# Economic Impacts of the New Mexico Small Business Investment Corporation

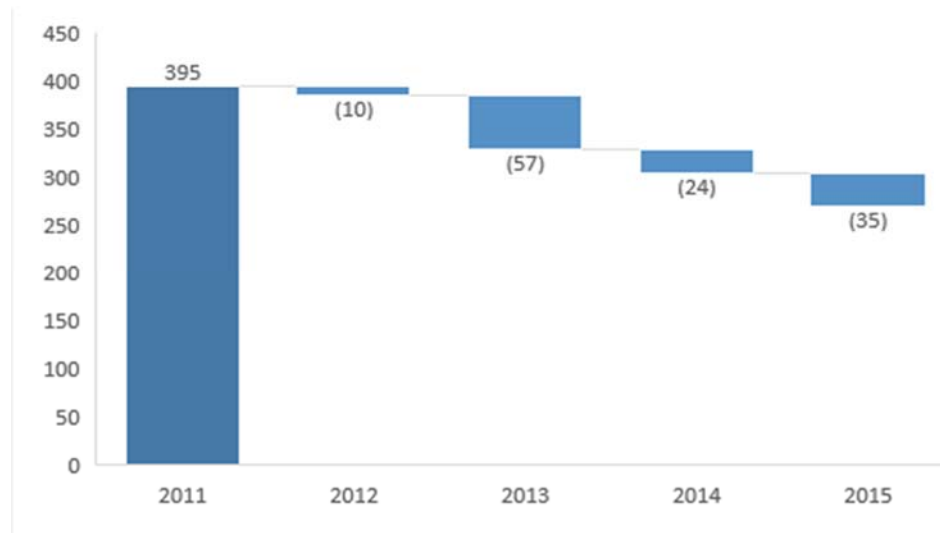
**Table 5. Equity Portfolio Payroll Reported by DWS Employers by 2-Digit NAICS (\$1,000's)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
23 Construction	116	-	-	-	-	-	-
31-33 Manufacturing	10,685	10,657	11,267	11,305	9,787	8,055	8,163
42 Wholesale Trade	431	621	714	316	-	-	-
44-45 Retail Trade	1,498	1,142	859	492	520	565	528
48-49 Transportation and Warehousing	2,042	2,098	2,781	2,789	2,728	2,529	1,780
51 Information	407	607	730	814	843	967	1,136
54 Professional, Scientific, and Technical Services	3,561	3,318	3,328	3,356	3,517	3,537	2,908
56 Admin, Support, Waste Mgt & Remediation Sv	950	967	1,046	1,135	1,216	1,222	1,270
<b>TOTAL</b>	<b>19,689</b>	<b>19,409</b>	<b>20,725</b>	<b>20,205</b>	<b>18,610</b>	<b>16,874</b>	<b>15,786</b>

Source: NM DWS Unemployment Insurance Wage Records

Figure 8 depicts the high of 395 jobs supported by companies receiving SBIC equity capital and the annual job loss. This figure graphically illustrates the change in Total employment captured in Table 4.

**Figure 8. Incremental Change in Annual Employment for Equity Portfolio**

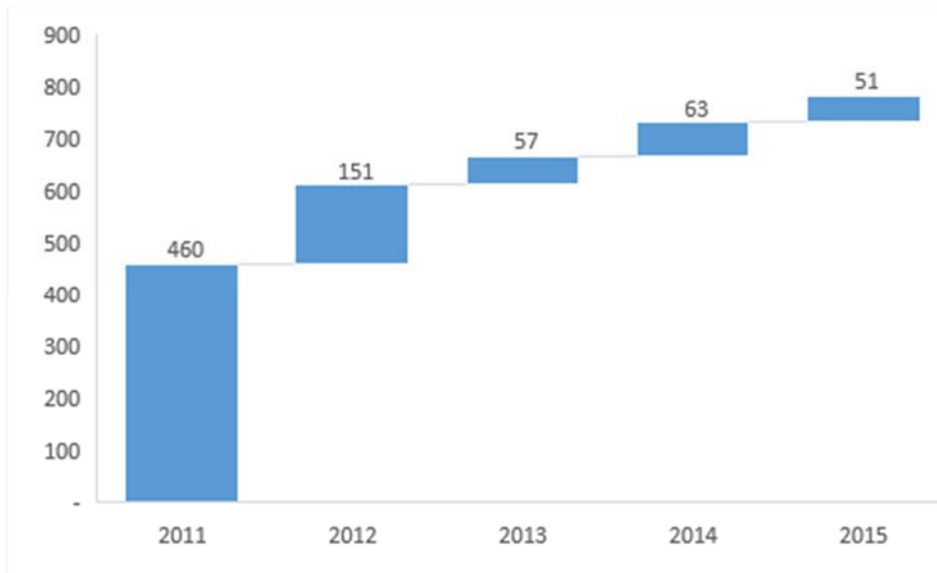


Source: NM DWS Unemployment Insurance Wage Records

## Economic Impacts of the New Mexico Small Business Investment Corporation

Figure 9 combines the data for Figures 7 and 8. Namely, the combined year-over-year incremental change in employment for the formal employers receiving SBIC equity and loans.

**Figure 9. Incremental Change in Employment-Combined Equity & Loan Portfolios**



As discussed in the portfolio overview section of this report, two-thirds of the SBIC lending portfolio are sole proprietors. Since by definition proprietors do not have employees but support themselves with the income generated from their business, one treatment is to count the 1,210 companies in the loan portfolio not paying unemployment insurance as employing one person (themselves).

**Table 6. Proprietors in SBIC Loan Portfolio**

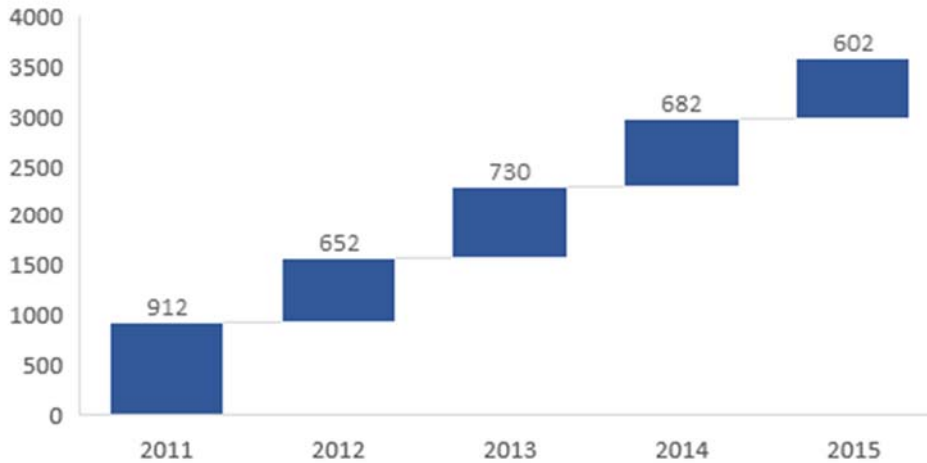
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Cum. Total</u>
<b>Establishments</b>	189	199	176	346	300	1,210

*Source: SBIC Partner Statements; NM DWS Unemployment Insurance Wage Records; US Census Nonemployer Statistics.*

## Economic Impacts of the New Mexico Small Business Investment Corporation

Figure 10 combines formal jobs supported in the loan and equity portfolio (1,653) with the year-over-year incremental change in jobs (784) and adds the 1,210 proprietors. Non-employers in the equity portfolio are not included in this analysis.

**Figure 10. Cumulative Change in Employment -Combined Equity & Loan Portfolios**



Although incorporating wage record data with the standard method for determining employment impacts helps to offset the problem of self-reported data, without verification or documentation, it is difficult to attribute 100% of the employment and payroll of borrowers to program loans and equity investments. However, other tentative conclusions can be drawn using a simple analysis that leverages the unemployment insurance records, the self-reported loan data from the SBIC loan partners, and the results of a small survey sample. Using the results of the DWS data and lender records, businesses supported by SBIC-funded loans employed<sup>12</sup> 1,653 with another 1,210 sole proprietorships also receiving SBIC loans. Conservatively, the survey results suggest that just over one-fourth, or approximately 750 workers and sole proprietors, would have lost their jobs if they had not received an SBIC loan. Notably, 57% of survey respondents felt that they could not have qualified for a commercial loan. This analysis is separate from and independent of the IMPLAN results in the following section.

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<sup>12</sup> Strictly defined as the formal employment of workers for whom an employer pays unemployment insurance.

## 2.3. Sector-based Input-Output Model (IMPLAN)

In the following analysis, BBER uses IMPLAN input-output analysis (I-O) modeling software to measure the indirect and induced economic impacts of SBIC's lending and equity programs to the state economy. The key to this approach is an understanding of the specific use by businesses of loans provided by SBIC and its lending partners. Consider, for instance, the impact of funds used for the purchase of equipment (for example lab equipment) compared to the impact of the same funds used in a construction project. In the first case, expenditures would have little impact on the local economy as the dollars flow out of the state, whereas in the second case expenditures will largely remain in the local economy.

Microfinance and CDFI lenders are typically understood to provide loans to small and microbusinesses that are unable to access credit otherwise. BBER sought to test this assumption by employing a survey administered to businesses borrowing from SBIC partners.<sup>13</sup> Because 73% of borrowers indicated that they would have had difficulty qualifying for a commercial loan, this IMPLAN analysis assumes that SBIC lending activities are responsible for all impacts of the entire loan amounts and that if the SBIC did not exist, these borrowers would not be able to obtain a commercial loan. Importantly, attribution is imbedded in the IMPLAN since the model only considers the loan and equity investments as the main inputs.

Other assumptions for sector-based input-output analysis:

- Jobs created are cumulative, that is to say, jobs created in 2011 will be continued in 2012 and subsequent years.
- Fee, interest, and principal payments did not impact subsequent years' jobs, income and economic outputs. That means BBER treated these loans and equity funds as a net positive stimulus to these businesses.
- Due to the absence of detailed information on how loan and equity investment monies were expended, BBER utilized IMPLAN average expenditure patterns to allocate loan money "uses" to estimate economic impact for equity investments and loans lacking detailed "use" data. For example, if the money was used for renovation

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<sup>13</sup> BBER designed and implemented a borrower survey in order to collect employment, sales, and loan use data for input purposes for the IMPLAN model. Part of the survey also sought to assess borrower attitudes toward the financial necessity of the loan to the businesses ongoing operations, reasons for choosing to borrow from one of the CDFIs, as well as the competitiveness of the rates offered and the ease of applying and qualifying for the loan. Remaining questions seek to assess the quality of employment as measured by whether additional benefits (health care, paid leave, retirement) are offered, and firm longevity.

## Economic Impacts of the New Mexico Small Business Investment Corporation

work or buying new equipment, this study uses the appropriate IMPLAN sector to estimate economic impacts.

- Equity investment impacts are treated similarly with respect to the attribution of the job, labor compensation, and output impacts.

Economic contribution analysis is accomplished in three main steps. First, the businesses supported by SBIC loans and equity investments are defined in terms of standard industrial classification methods. Specifically, the North American Industrial Classification System (NAICS) industrial sector definitions are used. Second, loan and equity supported additional direct activities of the businesses are tabulated. This is the measure of additional employment, employee compensation and the value of the output of the businesses. Finally, the impact analysis estimates the indirect and induced impacts of the SBIC-supported businesses in other sectors of the economy. This captures what is commonly known as the multiplier effects.

### 2.4. Economic Impact Estimation Method

The combined effects of the SBIC's supported businesses on the state economy are greater than the sum of these businesses' total spending on employee compensation, goods and services, and capital improvement projects. This is because money spent by these businesses on salaries and goods and services is spent again by their employees and vendors. The following calculations were implemented to estimate the direct economic contribution from SBIC supported businesses on the state economy.

*Direct Impact = (% In-State Expenditures) X (Total Expenditures)*

The above equation indicates that direct contributions are created when funds flow and then cycled within the state economy. The input-output multipliers were computed using IMPLAN, which is an industry standard software program used to conduct economic impact analysis. These multipliers are then used to estimate the impacts on the New Mexico economy. IMPLAN uses a variety of data sources to estimate the total economic impacts, where the total economic impact is comprised of the sum of direct, indirect, and induced impacts.

Direct impacts refer to immediate economic impacts generated by initial expenditures by the SBIC supported businesses, such as spending on employee compensation, goods and services, and capital projects. Indirect impacts result from secondary spending by New Mexico companies that provide goods and services to SBIC supported businesses. Induced impacts stem from spending by employees on goods and services for personal consumption for items such as for housing, food, clothing or childcare. Full definitions for common terms used in this report, such as direct, indirect, and induced impacts, employment, compensation, multipliers, and output are shown in Appendix 1.

## 2.5. Loan Program Data & Inputs

The principal sources of data utilized in this study are data collected by SBIC lending partners (The Loan Fund, Accion and WESST), publicly available data, and data sources readily available to BBER. Although there was not complete uniformity of information gathered from borrowers, the lending organization provided crucial data required for inputs in the IMPLAN model, such as business names and their contact address, date of funding, original loan amount, borrowers' monthly revenues, the purpose of the loan, business owner's gender and race/ethnicity, etc.

Table 7 presents the borrowers' industry and the number of loans funded by each industry by year. During the period from 2011 to 2015, the highest numbers of loans (282 or 18%), including Lines of Credit, were made to borrowers belonging to retail trade industry followed by other services (196 or 12.5%), manufacturing (188 or 12%), Construction (146 or 9.3%), and accommodation and food services (133 or 8.4%).

**Table 7. Number of Loans by Industry by Calendar Year**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Agriculture, Forestry, Fishing and Hunting	0	1	2	3	7	13
Mining, Quarrying, and Oil and Gas Extraction	0	0	0	0	1	1
Utilities	0	1	0	0	0	1
Construction	20	31	24	42	29	146
Manufacturing	31	29	29	56	43	188
Wholesale Trade	9	14	7	13	9	52
Retail Trade	57	46	47	70	62	282
Transportation and Warehousing	12	19	13	26	23	93
Information	4	8	4	10	5	31
Finance and Insurance	2	1	3	5	6	17
Real Estate and Rental and Leasing	6	7	7	6	10	36
Professional, Scientific, and Technical Services	20	16	17	22	23	98
Management of Companies and Enterprises	0	0	0	0	1	1
Administrative and Support and Waste	13	10	9	43	32	107
Educational Services	3	4	6	10	5	28
Health Care and Social Assistance	8	7	19	25	22	81
Arts, Entertainment, and Recreation	13	11	16	20	11	71
Accommodation and Food Services	12	23	19	33	46	133
Other Services (except Public Administration)	33	31	27	57	48	196
<b>TOTAL</b>	<b>243</b>	<b>259</b>	<b>249</b>	<b>441</b>	<b>383</b>	<b>1,575</b>

Source: ACCION, NMCDLF, WESST CORP

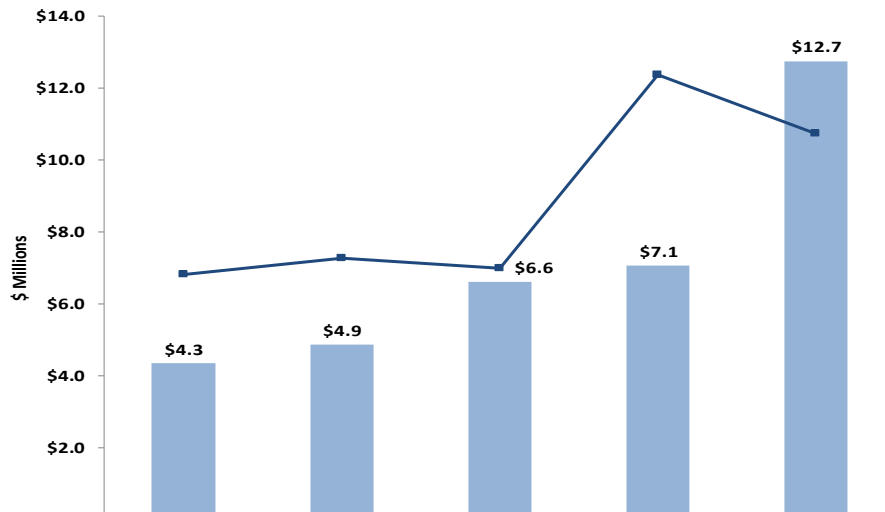
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# Economic Impacts of the New Mexico Small Business Investment Corporation

Figure 11 presents the amounts and the number of loans made over the years, with the highest number of loans made in 2014 followed by 2015, 2012, and 2013 and 2011. As the chart shows, SBIC supported lending grew steadily over time.

**Figure 11. Amount and Number of Loans Made by SBIC Lenders**



Source: BBER Analysis using IMPLAN Version 3.1  
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Table 8 shows loan amounts disbursed by SBIC lending partners by NAICS industry during the 2011-2015 study period. Other services (except public administration) received the highest amount of loans (\$5 million, 14.5% of total loans) followed by manufacturing (\$4 million, 12%), retail trade (\$3.8 million or 11.2%) and professional scientific and technical services (\$3.7 million or 11%).

# Economic Impacts of the New Mexico Small Business Investment Corporation

**Table 8. Loan Amount Disbursed by Calendar Year by Industry Sector (\$1,000's)**

	2011	2012	2013	2014	2015	Total	No. of Loans	% Share
Agriculture, Forestry, Fishing and Hunting	-	\$12	\$19	\$9	\$205	\$246	13	0.7%
Mining, Quarrying, Oil and Gas Extraction	-	\$0	\$0	\$0	\$5	\$5	1	0.0%
Utilities	-	\$5	\$0	\$0	\$0	\$5	1	0.0%
Construction	\$509	\$287	\$465	\$495	\$2,752	\$4,508	145	12.7%
Manufacturing	\$304	\$825	\$1,433	\$625	\$862	\$4,048	188	11.4%
Wholesale Trade	\$81	\$181	\$478	\$100	\$263	\$1,104	52	3.1%
Retail Trade	\$846	\$687	\$619	\$611	\$1,066	\$3,829	282	10.8%
Transportation and Warehousing	\$158	\$880	\$490	\$569	\$602	\$2,700	93	7.6%
Information	\$18	\$50	\$68	\$51	\$41	\$227	31	0.6%
Finance and Insurance	\$11	\$11	\$80	\$84	\$362	\$547	17	1.5%
Real Estate and Rental and Leasing	\$113	\$262	\$44	\$188	\$73	\$679	36	1.9%
Professional, Scientific, and Technical Svcs	\$877	\$267	\$858	\$511	\$1,217	\$3,730	98	10.5%
Management of Companies and Enterprises	\$0	\$0	\$0	\$0	\$263	\$263	1	0.7%
Admin Support, Waste Mgt and Remed Svcs	\$102	\$78	\$79	\$153	\$414	\$825	107	2.3%
Educational Services	\$158	\$53	\$321	\$297	\$74	\$903	28	2.5%
Health Care and Social Assistance	\$159	\$159	\$363	\$695	\$785	\$2,160	81	6.1%
Arts, Entertainment, and Recreation	\$140	\$68	\$120	\$925	\$262	\$1,516	71	4.3%
Accommodation and Food Services	\$158	\$334	\$870	\$413	\$1,585	\$3,359	133	9.4%
Other Services	\$712	\$698	\$303	\$1,329	\$1,906	\$4,947	196	13.9%
<b>Total</b>	<b>\$4,346</b>	<b>\$4,856</b>	<b>\$6,611</b>	<b>\$7,055</b>	<b>\$12,735</b>	<b>\$35,603</b>	<b>1,574</b>	

Source: ACCION, NMCDLF, WESST CORP

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## 2.6. Equity Program Data & Inputs

The SBIC has made equity investment through equity fund partners such as Flywheel, the NM Gap Fund, New Mexico Community Capital (NMCC), and Verge Fund. Table 9 presents the equity fund amounts disbursed through equity fund partners since 2004. Starting in 2004 the SBIC invested \$14.7 million, of which \$6 million was invested since 2011. The largest amount (\$7.4 million) was invested with Verge Fund followed by \$5.2 million with New Mexico Community Capital.

**Table 9. Equity Capital Invested by Partnership by Calendar Year (\$1,000's)**

	<u>2004-2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Flywheel1	\$661	\$0	\$0	\$0	\$21	\$0	\$682
GapFund	\$974	\$64	\$260	\$0	\$50	\$43	\$1,391
NMCC	\$3,053	\$191	\$1,626	\$287	\$0	\$0	\$5,157
Verge1	\$1,305	\$61	\$76	\$0	\$0	\$0	\$1,441
Verge1.5	\$2,177	\$121	\$153	\$0	\$0	\$0	\$2,451
Verge2	\$476	\$610	\$924	\$707	\$216	\$17	\$2,949
Verge2.5	\$0	\$0	\$0	\$0	\$120	\$482	\$602
Total	\$8,646	\$1,047	\$3,038	\$994	\$406	\$543	\$14,674

Source: Flywheel, NMCC, Verge, SBIC

UNM Bureau of Business and Economic Research, 2016

Table 10 presents equity funds disbursed by industry. Professional, scientific, and technical services (\$4.1 million) followed by manufacturing (\$3.7), wholesale trade (\$2.4 million) and information (\$1.9) were the largest sectors in the portfolio for these years.

**Table 10. Equity Capital Invested by Industry Sector by Calendar Year (\$1,000's)**

	<u>2004-2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Admin and Support Services	\$549	\$0	\$0	\$0	\$0	\$0	\$549
Finance and Insurance	\$138	\$0	\$0	\$0	\$0	\$0	\$138
Information	\$1,476	\$290	\$10	\$0	\$41	\$92	\$1,908
Manufacturing	\$1,996	\$88	\$1,214	\$190	\$78	\$115	\$3,680
Prof, Scientific, Technical Svcs	\$2,105	\$317	\$670	\$466	\$288	\$268	\$4,115
Retail Trade	\$140	\$296	\$147	\$52	\$0	\$0	\$635
Transportation & Warehousing	\$478	\$0	\$669	\$0	\$0	\$0	\$1,147
Utilities	\$100	\$0	\$0	\$0	\$0	\$0	\$100
Wholesale Trade	\$1,663	\$56	\$328	\$287	\$0	\$68	\$2,402
Total	\$8,646	\$1,047	\$3,038	\$994	\$406	\$543	\$14,674

Source: Flywheel, NMCC, Verge, SBIC

UNM Bureau of Business and Economic Research, 2016

## 2.7. Other Data Sources

The data used throughout the report are the most recent available from the selected sources. The Nonemployer Statistics from the US Census are as of 2014. The Quarterly Census of Employment and Wages from the NM Department for Workforce Solutions data are as of the fourth quarter of 2015. Economic Census data used in this report are from 2012. The Economic Census is conducted on a five-year cycle and the 2017 data will not be available until late 2018 or 2019. American Community Survey is the five-

# Economic Impacts of the New Mexico Small Business Investment Corporation

year estimate for years 2011 through 2015. Dates used in other parts of the report vary according to the sources, and are noted for each case.

## 3. Results

### 3.1. Employment Impacts

Table 11 presents the calendar year direct, indirect, and induced employment impacts the SBIC investment activities have had on the New Mexico economy. These estimates include full-time and part-time jobs created. The variation in annual job impacts is attributed to the amount of loan disbursement and use of equity funds. Importantly, as noted, this study does not include impacts from capital invested prior to 2011, namely the bulk of the equity investment portfolio that was drawn from 2004 to 2010.

**Table 11. Employment Impact of Businesses Invested in by SBIC by Calendar Year**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct	115	81	74	81	123
Indirect & Induced	63	42	35	35	59
Total	178	123	110	116	182
Multiplier	1.5	1.5	1.5	1.4	1.5

*Source: BBER Analysis using IMPLAN Version 3.1*

*UNM Bureau of Business and Economic Research, 2016*

Table 12 and Figure 13 present the cumulative jobs impacts from 2011 to 2015. BBER assumed jobs created in a previous year will continue in the consecutive years. As a result, lending and equity funding activities of SBIC lending partners and equity funding partners created a dynamic impact on the economy.

**Table 12. Cumulative Employment Impact of Businesses Invested in by SBIC by Calendar Year**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct	115	188	245	319	439
Indirect & Induced	63	99	120	150	207
Total	178	287	365	469	646
Multiplier	1.5	1.5	1.5	1.5	1.5

*Source: BBER Analysis using IMPLAN Version 3.1*

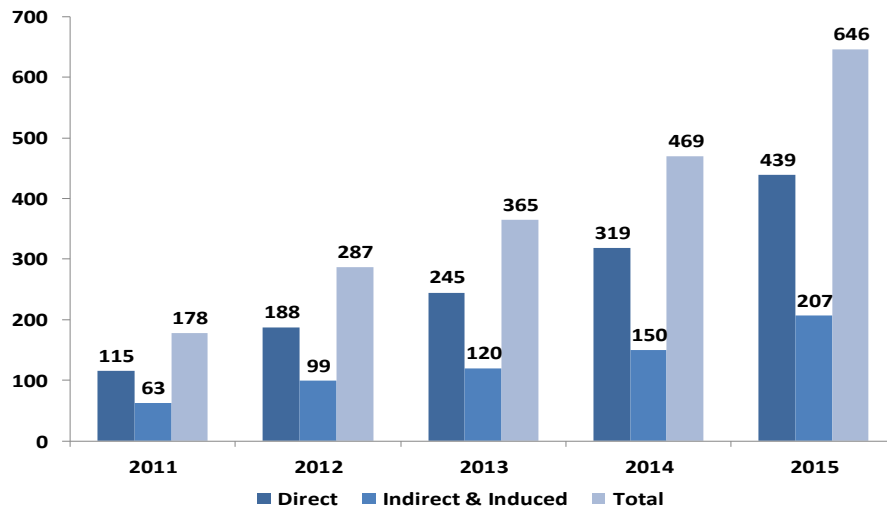
*UNM Bureau of Business and Economic Research, 2016*

As shown in Table 12 and Figure 12, SBIC supported business created 439 direct jobs, which supported an additional 207 indirect and induced jobs for a total of 646 jobs. The

# Economic Impacts of the New Mexico Small Business Investment Corporation

average multiplier for employment is 1.5 which indicates that for every ten jobs created directly by the SBIC supported businesses, an additional five jobs were created in New Mexico indirectly.

**Figure 12. Cumulative Employment Impact of SBIC Supported Businesses in NM**



Source: BBER Analysis using IMPLAN Version 3.1  
UNM Bureau of Business and Economic Research, 2016

### 3.2. Labor Income Impacts

Labor income in this case includes payroll and benefits offered to the employees who are directly employed by SBIC supported businesses or indirectly supported by them. Table 13 presents the annual labor income impacts of SBIC supported businesses in New Mexico. The greatest estimated total labor income impact occurred in 2011 (\$7.6 million), followed by \$6.7 million in 2015 and \$5 million in 2012.

**Table 13. Annual Labor Income Impacts of Businesses Invested in by SBIC (\$M)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct	\$4.9	\$3.3	\$2.7	\$2.5	\$4.2
Indirect & Induced	\$2.6	\$1.8	\$1.5	\$1.5	\$2.5
Total	\$7.6	\$5.0	\$4.2	\$3.9	\$6.7
Multiplier	1.5	1.5	1.5	1.6	1.6

Source: BBER Analysis using IMPLAN Version 3.1  
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## Economic Impacts of the New Mexico Small Business Investment Corporation

Table 14 and Figure 13 show the cumulative labor income impacts. The five-year cumulative direct labor income impact of \$15.3 million in 2015 supported an additional \$8.7 million in indirect and induced labor income, totaling \$23.9 million in direct, indirect & induced labor income impacts. Again, BBER assumes that the impacts created in previous years are added in consecutive years because once these incomes are created, it is likely to continue in the future. The average multiplier for labor income is 1.6, which indicates that for each \$10,000 in compensation paid by SBIC businesses, an additional \$6,000 in labor income is generated in New Mexico.

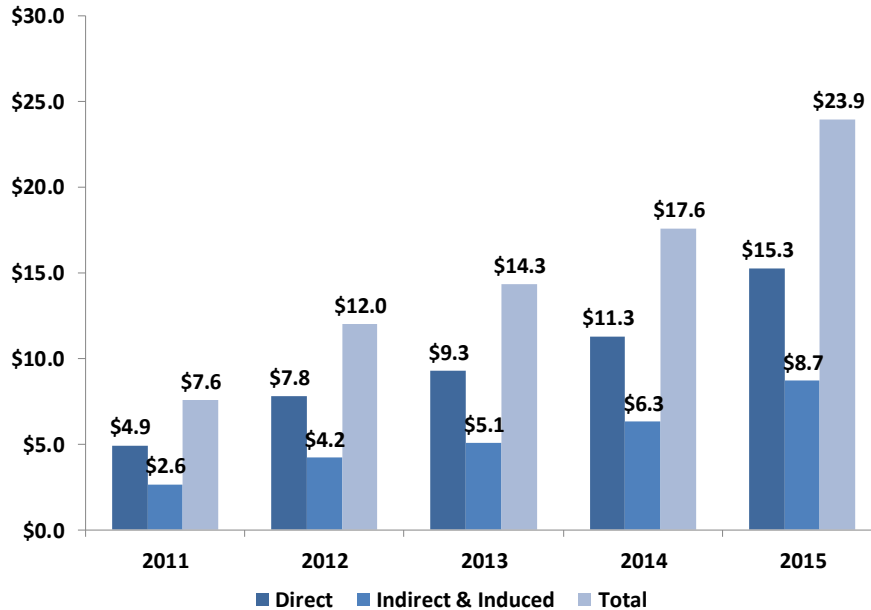
**Table 14. Cumulative Labor Income Impacts of Businesses Invested in by SBIC (\$M)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct	\$4.9	\$7.8	\$9.3	\$11.3	\$15.3
Indirect & Induced	\$2.6	\$4.2	\$5.1	\$6.3	\$8.7
Total	\$7.6	\$12.0	\$14.3	\$17.6	\$23.9
Multiplier	1.5	1.5	1.5	1.6	1.6

*Source: BBER Analysis using IMPLAN Version 3.1*

*UNM Bureau of Business and Economic Research, 2016*

**Figure 13. Cumulative Labor Income Impacts of SBIC Businesses (\$M)**



*Source: BBER Analysis using IMPLAN Version 3.1*

*UNM Bureau of Business and Economic Research, 2016*

### 3.3. Output Impacts

Table 15 and Table 16 present annual output impacts and cumulative output impacts, respectively. On average, businesses receiving SBIC supported loans created \$14.7 million in direct output, which indirectly supported an additional \$7.2 million in indirect and induced output, totaling \$21.9 million. As was the case with employment and labor income impacts, the largest output occurred in 2011 (\$23.5 million) followed by 2015 (\$21.9 million) and 2012 (\$15.7 million). The annual impact variation occurred due to the variation in loan disbursements and equity financing in different years. The average multiplier for output is 1.5, which indicates that for every \$1 million in direct output produced by SBIC supported businesses an additional \$500,000 was generated in New Mexico.

**Table 15. Annual Output Contributions of Businesses Invested in by SBIC (\$M)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct	\$15.8	\$10.6	\$8.9	\$9.1	\$14.7
Indirect & Induced	\$7.8	\$5.1	\$4.4	\$4.3	\$7.2
Total	\$23.5	\$15.7	\$13.3	\$13.4	\$21.9
Multiplier	1.5	1.5	1.5	1.5	1.5

*Source: BBER Analysis using IMPLAN Version 3.1*

*UNM Bureau of Business and Economic Research, 2016*

Table 16 and Figure 14 show the five-year cumulative impacts of SBIC supported businesses that received either loans or equity funds during 2011 through 2015. BBER assumed that output created in previous years will continue in subsequent years. The cumulative direct economic output in 2015 was estimated at \$53.1 million, which indirectly supported an additional \$15.9 million in output for a total of \$69 million.

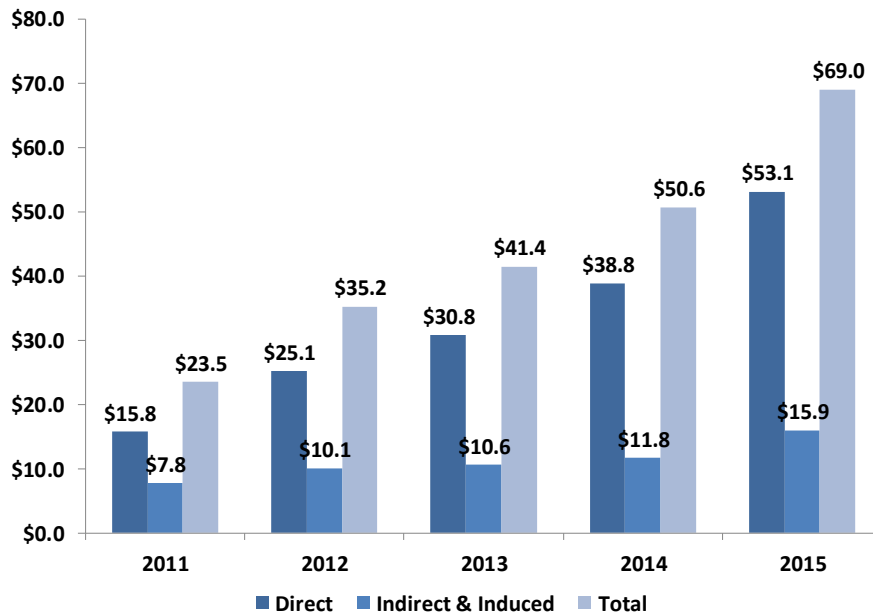
**Table 16. Cumulative Output Impacts of Businesses Invested in by SBIC (\$M)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct	\$15.8	\$25.1	\$30.8	\$38.8	\$53.1
Indirect & Induced	\$7.8	\$10.1	\$10.6	\$11.8	\$15.9
Total	\$23.5	\$35.2	\$41.4	\$50.6	\$69.0
Multiplier	1.5	1.4	1.3	1.3	1.3

*Source: BBER Analysis using IMPLAN Version 3.1*

*UNM Bureau of Business and Economic Research, 2016*

**Figure 14. Cumulative Output Impacts of Businesses Invested in by SBIC (\$M)**



Source: BBER Analysis using IMPLAN Version 3.1  
UNM Bureau of Business and Economic Research, 2016

### 3.4. Quality of Jobs Supported by SBIC Investment Activities

Economic development activities typically focus on the number of jobs and the aggregate income. The wage per worker is also an important measure because it tells us whether workers are able to comfortably support themselves and their families. Utilizing the DWS Wage Record database, we are able to know the total payroll for a given employer, using the 266 matches for the loan portfolio and 28 in the equity portfolio. The following table tabulates the annual income by year by program. For the remaining borrowers/businesses not contained in the database, we were able to calculate the average gross receipts for all proprietors in New Mexico down to the firm level for the calendar years 2011 to 2014 by utilizing Nonemployer US Census data.<sup>14</sup> By

<sup>14</sup> Nonemployer Statistics is an annual data set that provides subnational economic data for businesses that have no paid employees and are subject to federal income tax. The data consist of the number of businesses and total receipts by industry. Most nonemployers are self-employed individuals operating unincorporated businesses (known as sole proprietorships), which may or may not be the owner's principal source of income. The majority of all business establishments in the United States are nonemployers, yet these firms average less than 4 percent of all sales and receipts nationally. Due to their small economic impact, these firms are excluded from most other Census Bureau business statistics. The



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applying the annual average to the number of firms receiving loans by calendar year we calculated the total gross receipts for Nonemployer businesses in the SBIC loan portfolio.<sup>15</sup>

An analysis of the wage record data suggests that the jobs created in the equity portfolio are high paying compared to local and national averages. Specifically, as showed in Table 17, the annual income for these SBIC supported jobs in the equity portfolio averaged \$58,000 in 2015, which exceeds the mean US and New Mexico individual income of \$59,736 and \$50,373, respectively.<sup>16</sup>

**Table 17. Quality of Jobs: Avg. Income, Proprietors' Gross Receipts (\$M)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>5-yr Avg.</u>
Equity Portfolio	52,434	52,380	56,566	55,371	58,466	55,043
Proprietor Income by Firm	28,855	29,447	29,108	30,232	30,534	29,635

*Source: SBIC Partner Statements; NM DWS Unemployment Insurance Wage Records; US Census Nonemployer Statistics.*

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Nonemployers Statistics data set is the primary resource available to study the scope and activities of nonemployers at a detailed geographic level.

<sup>15</sup> The proprietor data was used since the businesses in the SBIC loan portfolio not contained in the Wage Record database are heavily weighted to proprietorships.

<sup>16</sup> U.S. Census Bureau (2015). *Earnings in the Past 12 Months, 2011-2015 American Community Survey 5-year estimates*. Retrieved from [https://factfinder.census.gov/bkmk/table/1.0/en/ACS/15\\_5YR/S2001/0100000US|0400000US35](https://factfinder.census.gov/bkmk/table/1.0/en/ACS/15_5YR/S2001/0100000US|0400000US35)

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## Appendix 1. Key Impact Analysis Definitions

**Employee Compensation:** The sum of wage and salary income, benefits, and other non-cash compensation.

**Employment:** The estimated number of full-and-part-time jobs directly and indirectly supported by SBIC supported businesses.

**Direct Impacts:** The initial, immediate economic impacts generated by SBIC supported businesses' loans or equity funds.

**Indirect Impacts:** The economic impact resulting from spending by New Mexico companies (contractors) from which SBIC supported businesses buy goods and services. This spending creates a demand for the goods and services of local companies, which must then subsequently purchase their own goods and services to produce their product. The sum total of these iterative purchases is termed indirect impacts.

**Induced Impacts:** The economic impact resulting from SBIC supported businesses' employees spending a portion of their salary on goods and services for personal consumption, e.g. housing, food, clothing, or childcare. This spending induces additional employment in many sectors of the economy, such as jobs at the local grocery store.

**Impact Analysis:** A net change in a region's existing economy that can be attributed to a given industry, event, or policy, which brings new revenues into the region that would otherwise not occur in the region; or which keeps revenues in the region that would otherwise be lost to the region.

**Contribution Analysis:** A gross change in a region's existing economy that can be attributed to a given industry, event, or policy.

**Labor Income:** The employee compensation (wage and salary income including benefits) plus proprietors' income (self-employed income).

**Multipliers:** An economic multiplier measures the total change in the number of jobs/income/output resulting from an initial change in job/income/output of an industry/company being studied.

**Output:** The total market value of goods and services that go to final and intermediate consumption. In this case, it is the total economic activity resulting from SBIC supported business operations in the State. It is also a measure of the state's domestic product created as a result of SBIC supported business operations activities.

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## Appendix 2. Detailed Data Tables

**Table 18. Total Assets by Investment Type, Income & Gains, Losses (\$1,000's)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Assets	46,500	42,100	38,700	36,700	35,400	35,900	36,100	37,700	41,700
Equity Investments		11,900	10,800	11,600	12,500	15,700	14,800	13,900	15,000
Loans Outstanding	7,200	8,200	10,000	8,900	9,200	9,100	11,900	15,600	16,900
<i>Loan Loss Ratio</i>	2.7%	3.5%	1.7%	2.5%	1.2%	0.4%	0.2%	0.4%	0.4%
Interest & Dividend Income	1329	821	571	332	265	272	293	365	432
Loan Charge-offs	196	291	172	222	109	37	24	59	64
Net Loans to Assets (median %)		80.9%	72.7%	72.2%	66.6%	65.3%	65.9%	64.0%	61.8%
Gains(Losses) on Equity Investments	(1,710)	(3,598)	(2,534)	(955)	(1,024)	785	420	754	4,054
Net Income (Loss)	(1,920)	(4,041)	(3,053)	(1,733)	(1,459)	489	326	1,206	1,753

Source: NMSBIC Annual Reports and Financial Statements (2008-2016)

**Table 19. Loan & Equity Summary: Employment Created and Supported**

	Firms		Employment		Annual Payroll	
	<u>NM</u>	<u>US</u>	<u>NM</u>	<u>US</u>	<u>NM</u>	<u>US</u>
01: Total	34,702	5,825,458	602,632	121,069,944	23,629,149	5,940,186,911
02: 0-4	19,169	3,598,185	33,133	5,940,248	1,150,755	251,757,114
03: 5-9	5,891	998,953	38,648	6,570,776	1,218,763	235,546,762
04: 10-19	3,794	608,502	50,522	8,176,519	1,705,562	309,924,445
05: <20	28,854	5,205,640	122,303	20,687,543	4,075,080	797,228,321
06: 20-99	3,396	513,179	119,521	20,121,588	4,157,892	838,405,832
07: 100-499	896	87,563	94,860	17,085,461	3,740,889	803,652,747
08: <500	33,146	5,806,382	336,684	57,894,592	11,973,861	2,439,286,900
09: 500+	1,556	19,076	265,948	63,175,352	11,655,288	3,500,900,011

Source: SUSB, US Census County Business Patterns

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**Table 20. Employment, Annual Payroll, Number of Firms by Size**

	<u>Firms</u>		<u>Employment</u>		<u>Annual Payroll</u>	
	<u>NM</u>	<u>US</u>	<u>NM</u>	<u>US</u>	<u>NM</u>	<u>US</u>
01: Total						
02: 0-4	55%	62%	5%	5%	5%	4%
03: 5-9	17%	17%	6%	5%	5%	4%
04: 10-19	11%	10%	8%	7%	7%	5%
05: <20	83%	89%	20%	17%	17%	13%
06: 20-99	10%	9%	20%	17%	18%	14%
07: 100-499	3%	2%	16%	14%	16%	14%
09: 500+	4%	0.3%	44%	52%	49%	59%
08: <500	96%	99.7%	56%	48%	51%	41%

Source: SUSB, US Census County Business Patterns

**Table 21. Key Sectors of NM Economy: Establishments, Employment, Annual and Weekly Average Wages by 2-Digit NAICS**

<u>Code</u>	<u>Industry</u>	<u>Estabts.</u>	<u>Empl.</u>	<u>Total Wage</u>	<u>Avg. Wkly</u>			
					<u>Wage</u>	<u>Estabts. (%)</u>	<u>Emp. (%)</u>	<u>Wages (%)</u>
62	Health Care and Social Assistance	8,446	138,182	\$1,383,048,444	\$770	15%	17%	17%
54	Professional and Technical Services	6,800	54,514	\$1,035,574,249	\$1,461	12%	7%	13%
44-45	Retail Trade (44-45)	6,299	92,537	\$627,496,736	\$522	11%	12%	8%
23	Construction	5,456	47,126	\$488,855,792	\$798	9%	6%	6%
72	Accommodation and Food Services	4,159	88,877	\$376,677,723	\$326	7%	11%	5%
81	Other Services, Ex. Public Admin	4,095	20,142	\$151,844,628	\$580	7%	3%	2%
56	Administrative and Waste Services	3,157	41,928	\$343,007,570	\$629	5%	5%	4%
42	Wholesale Trade	2,772	21,470	\$276,248,845	\$990	5%	3%	3%
52	Finance and Insurance	2,758	22,118	\$325,885,494	\$1,133	5%	3%	4%
53	Real Estate and Rental and Leasing	2,362	10,291	\$90,154,744	\$674	4%	1%	1%
92	Public Administration	1,889	61,434	\$826,970,013	\$1,035	3%	8%	10%
48-49	Transportation and Warehousing (48-49)	1,817	22,686	\$253,489,176	\$860	3%	3%	3%
31-33	Manufacturing (31-33)	1,735	26,618	\$362,727,140	\$1,048	3%	3%	4%
61	Educational Services	1,359	79,523	\$768,768,660	\$744	2%	10%	9%
21	Mining	1,237	20,901	\$384,612,144	\$1,416	2%	3%	5%
51	Information	1,086	13,175	\$154,559,102	\$902	2%	2%	2%
71	Arts, Entertainment, and Recreation	944	16,904	\$107,103,330	\$487	2%	2%	1%
11	Agriculture, Forestry, Fishing & Hunting	842	9,950	\$72,182,704	\$558	1%	1%	1%
22	Utilities	391	6,174	\$111,013,228	\$1,383	1%	1%	1%
55	Management of Companies and Enterprises	332	5,280	\$90,808,275	\$1,323	1%	1%	1%
99	Unclassified	1	*	*	*	*	*	*
0	Total, All Industries	57,937	799,832	\$8,231,030,238	\$792	100%	100%	100%

Source: Quarterly Census of Employment and Wages (QCEW) for Multiple Industries in New Mexico in the first quarter of 2016  
 First quarter of 2016 Quarterly Census of Employment and Wages, Multiple Industries data for New Mexico, aggregate of all types ownership.  
 \*Suppressed

Appendix 3. Borrower Survey

The University of New Mexico Bureau of Business and Economic Research (BBER) has been commissioned to assess the economic impacts of the lending activities of The Loan Fund, ACCION, and WESST. To this end, BBER is gathering information about your business' financing needs, availability of financing, use of loan, business type, employment, sales, and other financial information. As a loan recipient, you are an important part of our analysis. Please respond to our questions regarding your business' operations and any associated use of financial resources. All information provided will be kept confidential and only summary aggregate data will be reported.

If you have any questions regarding the survey, please contact Julian Baca at 505-277-7069 (jbaca63@unm.edu) or Dr. Doleswar Bhandari 505-277-7067 (bhandar1@unm.edu) at BBER.

1. Please provide your company name, contact information, and loan information.

Registered name of business:

Name of person completing survey:

Title (e.g. Owner, CEO, CFO):

Email:

Phone number:

Loan #: (if available)

Loan amount: (if available)

2. What is the legal structure of your business?

3. Please provide the name of the lender for this loan.

4. Please specify the type of loan.

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5. What did you use the loan for? Please provide dollar amounts. Use types should sum to the total loan amount.

Working Capital:	<input type="text"/>
Equipment:	<input type="text"/>
Construction:	<input type="text"/>
Renovation:	<input type="text"/>
TOTAL:	<input type="text"/>

6. What was the annual revenue/sales of your business prior to the loan funding and in the twelve months after the loan?

Prior to loan funding:	<input type="text"/>
Twelve months after loan funding:	<input type="text"/>

7. How many full-time workers did you employ prior to the loan funding and in the period twelve months after? Full-time workers are defined as employees working 35 hours or more per week and that were employed for the full year. Sole proprietors should include themselves in the count.

Prior to loan funding:	<input type="text"/>
Twelve months after loan funding:	<input type="text"/>

8. How many part-time workers did you employ prior to the loan funding and in the period twelve months after? Part-time workers are defined as employees working less than 35 hours or more per week and that were employed for the full year and any seasonal employees not working the full year.

Prior to loan funding:	<input type="text"/>
Twelve months after loan funding:	<input type="text"/>

9. What types of benefits do you offer to employees? Check all that apply. (Sole proprietors may skip to question 10)

- Health Care
- Paid Leave
- Retirement
- Other, e.g. childcare, standardized schedule (please specify)

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10. How long has your firm been in business?

Years

Months

11. I applied for a loan with Accion because:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
My business could not qualify for a commercial loan otherwise.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would have had difficulty qualifying for a commercial loan.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I was able to qualify faster and with greater ease than applying with a commercial lender.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The cost of the loan was less expensive than competing lenders.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. If I had been unable to obtain a loan from Accion:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I would have had to layoff workers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would have had to reduce worker hours.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My company would have been at risk of defaulting on financial obligations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My company would not be in business today.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would have obtained a loan from a different lender.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>