

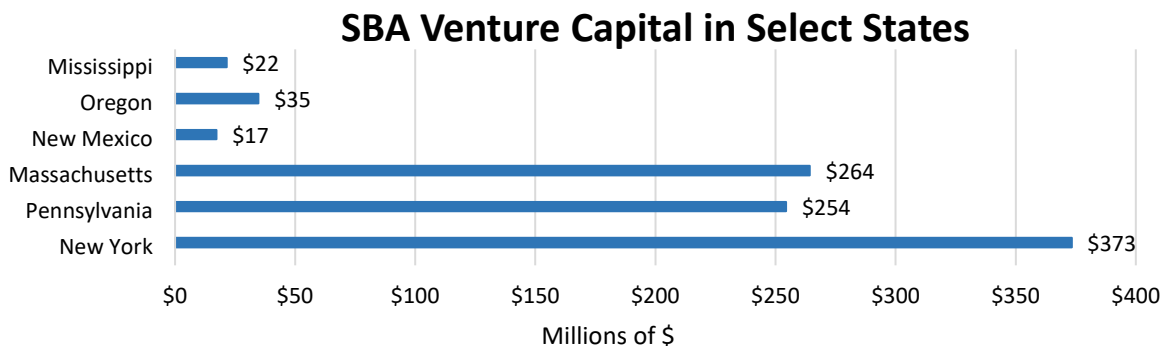


Innovation Spotlight: Access to Capital in Albuquerque, NM

Over the next few months, Joint Economic Committee Democrats will highlight cutting-edge policy solutions that empower small towns and rural communities across the nation.

Problem: Starting a new business is often not simple; it can involve high start-up capital costs and risk. Most entrepreneurs have limited resources and must seek capital from outside sources. Access to this start-up capital, however, is a primary obstacle to those wishing to start a business. This is all the more true in underserved and rural communities.¹ And, America has experienced a start-up slump since 1980.²

Background: Access to private venture funding for new businesses is heavily weighted to a few states with California, Massachusetts and New York drawing 78.5 percent of all venture capital in 2016. While the Small Business Administration (SBA) seeks to help level this playing field, major disparities persist with nearly 40 percent of its total venture funding going to just four states. For example, New Mexico received \$17 million in SBA venture capital funds, compared to \$373 million for New York and \$264 for Massachusetts in fiscal year 2016.³



Source: Congressional Review Service.

Note: Data is for Fiscal Year 2016.

Solution: The New Mexico Start-Up Factory works with scientists to commercialize and fund early-stage companies. In addition to assisting with capital, their innovative business model provides coaching, mentorship and education focused on entrepreneurial development. Start-up capital is mostly provided by the New Mexico Start-Up Factory Fund and members of the New Mexico Angels – a group of elite investors focused on investing in early stage companies. The New Mexico Start-Up Factory has successfully created 12 companies in sectors like technology, solar energy, agriculture, bioscience and pharmaceuticals since its founding in 2012.⁴

Looking Ahead: Smart policy to promote startups is crucial to growth as 40 percent of new jobs created in the past decade were the result of hiring by new businesses.⁵ Public policy can encourage increased rates of entrepreneurship by putting weight behind local initiatives encouraging similar start-up programs in rural and underserved communities. For example, the SBA could more equitably disperse its funding to rural communities and underserved states. Or, the federal government could provide incentives for “angel” investors to invest their capital in these rural and underserved communities.

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- ¹ <https://cdn.americanprogress.org/wp-content/uploads/2016/10/13000159/ProgressiveAgenda.pdf>;
<http://ruraljobscoalition.com/clientuploads/toolkit/TheStateofRuralSmallBusinessesandAccesstoCapital.pdf>
- ² <https://www.nytimes.com/2017/09/20/business/economy/startup-business.html>
- ³ https://www.everycrsreport.com/files/20170615_R41456_935643565296a57fc1f698cbe75b7d1511ef2d37.pdf
- ⁴ <http://www.nmsuf.com/>; New Mexico Start-Up Factory
- ⁵ https://www.brookings.edu/wp-content/uploads/2016/07/minority_women_entrepreneurs_building_skills_barr.pdf