



EARLY WARNING SYSTEM

ECONOMIC RECOVERY BRIEF



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Business Licensing

A Tool for Economic Recovery & Prevention

While not a common element in application, registering a business is a requirement within each state. In New Mexico, a business must register in some fashion with the state government, but they are also required to receive a business license from the local municipality and/or county in which the business operates. With this process, there is potentially a valuable tool to track the health of the economy and to create a method of proactively addressing business and industry changes or trends.

Background

The United States Census Bureau and the Bureau of Labor Statistics provide updated information on the number and types of firms that are established within given geographies. These data sets also tell us the number of employees by type of industry, which can provide further insights. Tracking this information on an annual basis gives you insight into business growth, reductions, opportunities, and workforce needs.

From 2015 to 2019, the number of firms in the United States grew from 7,663,938 to 7,959,103 - an increase of 3.85 percent. In New Mexico, over the same time period, the number of firms grew by only 11 to 43,804 - an increase of only 0.03 percent. Within the EPCOG region, the number of businesses shrunk by 103 to 1,776 - a decrease of 5.48 percent.

Examining the same time period and geographies, employment across all industries represents interesting trends. For the nation as a whole and the State of New Mexico, employment grew by 7.18% and 2.91%, respectively. However, the total employment within the EPCOG region shrunk by 2.54%, representing a loss of 520 employees over 5 years.

Taking a step deeper into the data, we identify some more interesting trends in the EPCOG region.



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A Focus on the EPCOG Region

Of the 20 sectors outlined by the Census Bureau, three showed no change or gains in the number of establishments throughout the EPCOG region from 2015 to 2019. The remaining 17 sectors led to a net loss of 103 fewer establishments in the region. Comparatively, across those same sectors, the EPCOG region differed from trends seen by New Mexico and the United States.

When compared to New Mexico, there were 7 sectors within the EPCOG region that showed a decline in percent growth of establishments that showed increases in New Mexico. These sectors were: Agriculture; Forestry, Fishing and Hunting; Construction; Real Estate and Rental and Leasing; Administrative and Support and Waste Management and Remediation Services; Health Care and Social Assistance; Arts, Entertainment, and Recreation; and Other Services (Except Public Administration).

There were 12 sectors that showed growth in the United States that all exhibited declines in percent growth within the EPCOG region. These sectors were: Agriculture, Forestry, Fishing and Hunting; Utilities; Construction; Wholesale Trade; Finance and Insurance; Real Estate and Rental and Leasing; Professional, Scientific, and Technical Services; Administrative and Support and Waste Management and Remediation Services; Educational Services; Health Care and Social Assistance; Arts, Entertainment, and Recreation; and Other Services (Except Public Administration).

The employment side of this assessment is just as interesting. There are 8 sectors that despite experiencing losses in the number of firms over the 5-year period had gains in employment numbers. This signifies that within those 8 sectors, the employers have gained importance and attention because their impacts hold greater influence on the region than they did half a decade prior.

EPCOG REGION CHANGE IN BUSINESSES & EMPLOYEES (2015-2019)				
Industry	Establishments		Employees	
	Number	% Growth	Number	% Growth
All Sectors	-103	-5.48%	-520	-2.54%
Agriculture, Forestry, Fishing and Hunting	-3	-27.27%	17	58.62%
Mining, Quarrying, and Oil and Gas Extraction	-3	-100.00%	0	0.00%
Utilities	-2	-8.00%	38	19.00%
Construction	-20	-10.10%	-63	-6.00%
Manufacturing	-8	-17.39%	135	14.11%
Wholesale Trade	-17	-25.00%	-42	-7.46%
Retail Trade	-31	-9.45%	-228	-5.79%
Transportation and Warehousing	8	8.33%	91	9.13%
Information	0	0.00%	-71	-16.25%
Finance and Insurance	-13	-9.63%	-26	-3.63%
Real Estate and Rental and Leasing	-13	-14.94%	17	7.00%
Professional, Scientific, and Technical Services	-16	-12.50%	-342	-35.63%
Management of Companies and Enterprises	-1	-20.00%	22	84.62%
Administrative and Support and Waste Management and Remediation Services	-9	-15.25%	-113	-20.40%
Educational Services	-1	-9.09%	32	39.51%
Health Care and Social Assistance	-10	-5.18%	236	5.80%
Arts, Entertainment, and Recreation	-3	-11.54%	25	27.78%
Accommodation and Food Services	15	7.85%	54	1.52%
Other Services (Except Public Administration)	-20	-8.70%	-136	-10.69%
Industries Not Classified	-1	-100.00%	0	0.00%

There are 7 sectors that have experienced decline in employment within the EPCOG region that saw growth in the United States. Those sectors are: Construction; Wholesale Trade; Information; Finance and Insurance; Professional, Scientific, and Technical Services; Administrative and Support and Waste Management and Remediation Services; and Other Services (Except Public Administration).

Even more interesting is that of the 9 sectors that varied from trends exhibited by the State of New Mexico, 5 showed increases in the EPCOG region (conversely, declines in New Mexico) and 4 showed decreases in employment (conversely, increases in New Mexico).

Increase in EPCOG & Decline in NM (2015 - 2019)	Decline in EPCOG & Increase in NM (2015 - 2019)
Agriculture, Forestry Fishing and Hunting	Construction
Utilities	Finance & Insurance
Real Estate and Rental and Leasing	Administrative and Support and Waste Management and Remediation Services.
Management of Companies and Enterprises	Other Services (Except Public Administration)
Educational Services	

These variations from near-local trends could highlight concerns or unique features of the EPCOG region, depending on the community's expressed wants and needs. The mix of increases and declines of sectors when compared to the rest of the state present challenges in communicating needs to legislators and aligning resources for the benefit of growing industry and workforce in the region.

While this approach can begin to highlight trends and bring attention to sectors and industries that may be dealing with economic issues, this data is approximately 18 months to 2 years behind the present. It provides a great historical benchmark, and can give light to planning, but it does not address with enough speed the influence economic downturns or crises have on a community.

We propose the following as a more efficient, reliable source of local data tracking as it pertains to the ongoing health of the community.

Business Registrations

In New Mexico, the authority to allow a business to operate is granted by the local municipality holding jurisdiction over the physical location of where a business conducts its affairs. This licensing authority is granted to ensure awareness of operations to ensure proper alignment with code and community intent.

All municipalities, when collecting information from a business for the purposes of issuing a business license, do so with a focus on the health and safety of the community. Information is also collected to ensure compliance with business regulations. For example, a business license is not issued by a local municipality until a business has obtained a state tax identification number. This is done to ensure that a business is aware of its revenue reporting and tax filing obligations - which directly affect local government operations.

Local government may also ask questions about the types of work performed, storage of chemicals, whether additional permits from regulatory bodies (i.e., NM Environment Department) have been obtained, the square footage of the facility, and more. These factors all play into conversations that need to be had about facility patron limits for fire safety, traffic control for parking and thoroughfares, and potential inspections that need to occur given changes in use.

HOW CAN A BUSINESS REGISTRATION BE USED FOR ECONOMIC DEVELOPMENT?

New Business Growth

With so much information being tracked on a business registration, the form can become a method for annual check-ups on business health within a community. For example, just the act of a business registering for the first time can demonstrate the willingness of people/enterprises to invest within your community. This could be a representation of increased wealth or spending habits. It could also demonstrate identified gaps being addressed. It may also point to a regionally attractive feature that your community has as a hub for surrounding areas. A new business is an indicator of a positive trend.

Business License Renewals

This process can show a further trend of growth or decline. Most communities will track the renewal of a business license on an annual basis. Those that renew their license are demonstrating that they have found success to continue operations for another year (or specified period for which the license is applicable, such as a seasonal vendor). However, when a business chooses not to renew their license,

it is a red flag to the community that something about the community has caused the business to not have success. This could be due to spending habit changes, economic issues, regulatory obstacles, or it could be a response to how the business conducted operations in opposition to community expectations. In all scenarios, tracking the business license renewals grants an opportunity to have annual conversations with businesses about what helps them be successful or what is missing and causing them to fail.

Employee Counts

When included as part of the application process, this is often viewed as a necessary item for fire safety concerns. Generally, municipalities want to know how many people to expect within a given space – and that the business is aware of safety limitations. Knowing the number of employees within a given space can be useful knowledge in times of emergency. However, it is also great information to determine the health of the business. On an annual basis, filling out this information as part of a renewal allows a municipality to see if a business is struggling or if it is growing, and thereby provide guidance on resources that can help either scenario.

This information also allows the community to more accurately identify key employers. If these key employers leave the community it would have a significant impact on the future success of the community.

NOTE: This method would also give a community a more accurate count of the employees by industry on a more regular basis rather than relying on older data from the US Census. In this way, negative trends occurring within a business sector can be addressed in a much quicker and relevant time frame.

Business Types

While risk is inherent when operating a business, informed risk allows a company a better chance of surviving the first critical years of operations. The business registration process can be used to track trends in market saturation and key competitors from a public database perspective. Identifying the types of businesses within a community can also lead to economic development discussions on what gaps or diversification steps need to be addressed to better the stability and future needs of the community. Identifying business types and tracking the mix can also provide indicators of economic downturn impacts when certain industries are affected by the crisis at hand.

Disaster Contacts

The recent pandemic was not a fast-moving economic crisis. For a while, reports of its spread across the globe were making national news before the first reported cases hit the United States. However, there are other disasters that come suddenly that New Mexico is known for – floods and wildfires. These disasters can come swift and the effects can linger long after. The business registration list creates a key list of important contacts for times when a community needs to be evacuated. This list creates the opportunity to form an action plan for the types of businesses that would need to remain for health and safety purposes and those that are not essential during the initial days of recovery. Creating a plan of exit and reentry with key business points of contact can help calm panic of community members and can help both the community and businesses get back to operations quickly.