



Place-Based Economic Development

New Mexico per capita personal income is among the lowest in the country with significant geographic disparity. For example, New Mexicans in Santa Fe County have \$9.2 thousand more in per capita personal income above the U.S. average of \$73.2 thousand in 2024. Bernalillo and Sandoval counties were below the average but rank at about median in per capita personal income rate among counties. In contrast, residents of Cibola, McKinley, and Union counties are among the poorest in the nation. Geographic disparities are found across social and economic data, from educational attainment, childhood poverty, and job creation. Given the economic disparities, the state's economic development investments could have greater returns on investment if they were targeted to distressed areas.

New Mexico's place-based economic disparity is a problem for two reasons. First, economically distressed communities are more likely to have lower socioeconomic outcomes. Second, they hold back the overall economic potential of the state economy. Research indicates the return on investment (ROI) can be up to three times higher if investments are targeted to distressed communities.¹

However, current economic development programs go to the most successful labor markets. Since the 2017-2018 fiscal year, 68 percent of discretionary statewide economic development spending went to Bernalillo and Sandoval counties, likely following the existing strength of stable and competitive labor market conditions where employment rates are the highest. In this approach, the state is leaving economic return on the table. Proactive investments in distressed labor markets could achieve a higher return.

Place-Based Disparities

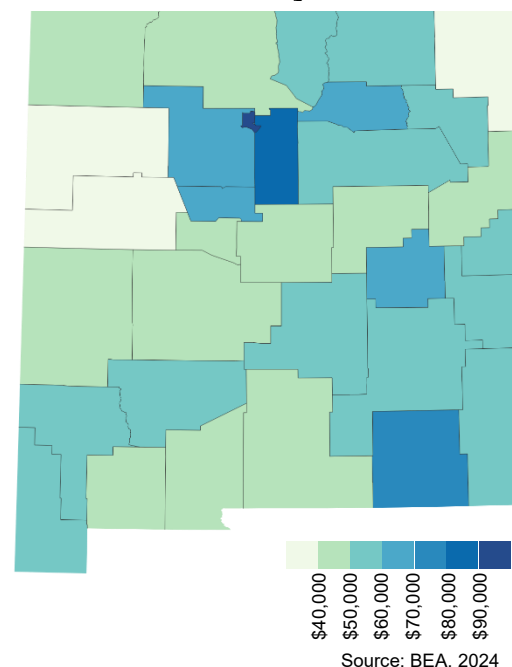
Research suggests that the place in which a child grows up has substantial impact on their prospects of upward mobility.² In New Mexico, wide economic disparities in economic conditions could contribute to significant disparities in upward mobility. For example, 21.8 percent of families with children were below the official poverty rate threshold statewide, but eleven counties had childhood poverty rates over 10 percentage points higher, and, in Cibola County, nearly 42 percent of households with children were below the poverty threshold. Bernalillo, Santa Fe, Sandoval, and Los Alamos all had childhood poverty rates below the statewide average, although the rates are still elevated compared with the national average.

¹ Bartik, Timothy J. 2023. "Long-Run Effects on Employment Rates of Local Demand Shocks, Across and Within Local Labor Markets." Upjohn Institute Working Paper 21-339. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/wp21-339>

² Chetty et al. 2025, "The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility."

This issue of *Money Matters* focuses on New Mexico's economically distressed areas and the return of economic development policies in these distressed areas.

Per Capita Personal Income by County

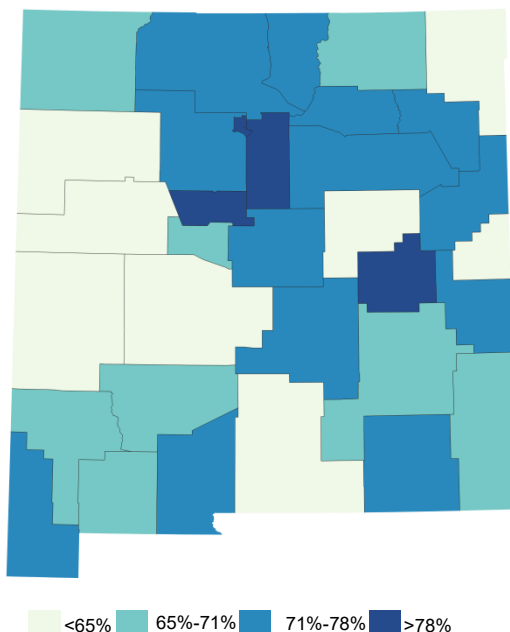


Four economic development principles:

1. Grow from within by prioritizing firms in advanced industries that drive local comparative advantage, innovation, productivity, and wage gains.
2. Boost trade by facilitating export growth and trade with other markets in the U.S. and abroad in ways that deepen regional industry specializations and bring in new income and investment.
3. Invest in people and skills by incorporating skills development of workers as a priority for economic development and employers that improving human capacities results in meaningful work and income gains.
4. Connect place by catalyzing place-making and work at multiple geographic levels to connect local communities to regional jobs, housing, and opportunity.

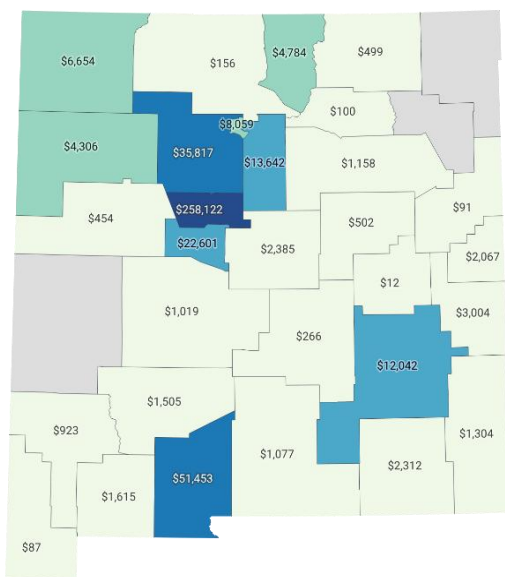
Source: Examining the Local Value of Economic Development Incentives, 2018, Brookings

Prime-Age Employment Rate by County



Source: U.S. Census Bureau, ACS, 2024

LEDA & JTIP Investment by County (FY18 to FY25)



Source: LFC Files

Nation, Tribe, or Pueblo Communities. New Mexico's economic disparities are most stark when comparing between communities in nations, tribes, pueblos, and tribal trust land areas with the rest of the state. The median average household income in these communities was \$42 thousand per year, according to census data. Census data indicates that the average employment-to-population ratio in these communities was 41.6 percent, 15.3 percentage points lower than the statewide average, with an unemployment rate of 8.2 percent, 3.4 percentage points higher than the statewide average. Further, standard definitions used by the U.S. Census Bureau likely underestimates the size of the indigenous labor force, in part because the data collection likely underestimates the number of respondents who want wage work.

Defining Distress

Each of New Mexico's 33 counties has a unique set of economic and cultural resources that shape how they respond to economic hardships and thrive in booms. In addition, the economy is constantly adjusting to a series of economic shocks, like inflation, workforce shortages, oil and gas booms, and developing industries. Every county is at a different stage of development when these shocks hit. A strategic and proactive economic development policy considers the state's economic diversity when making investments.

When making an investment, decisionmakers can consider the economic conditions. To avoid biases inherent to program design discussed further in this analysis, discretionary and nondiscretionary investments can benefit from quantitative measures that inform investment decisions.

This report uses the prime-age employment rate as a measure of economic distress because it is a key driver of economic and social well-being. There are several advantages to this measure. First, it has useful characteristics as an economic measure because it controls for age, limiting the population to those ages 25 to 54. This group is generally expected to work, which avoids most complications caused by individuals being in school or retired. Second, a higher prime-age employment rate will directly and indirectly increase earnings per capita and per capita personal income, a key legislative priority. Third, there is evidence that higher employment rates are associated with better social outcomes, like reduced substance use and crime. Lastly, the U.S. Census Bureau publishes an annual estimate of the prime-age employment rate at various levels of geographic detail. New Mexico's prime-age employment rate was 72.6 percent in 2024, significantly below the U.S. average of 80.4 percent.

Geographic Scale: Labor Markets and Neighborhoods

The geographic level of analysis is an essential feature of this report. There are two types of distressed areas: labor markets and neighborhoods. The causes and solutions for distress are different at each level.

Labor markets are large areas that encompass most commuting flows. Because of extensive commuting, changes in labor market conditions in one part of a local labor market are thought to transmit relatively quickly across the entire area.

This report classifies labor markets in two ways. First, the report uses "commuting zones," a classification created by the U.S. Department of

Agriculture and which assigns every U.S. county to a zone. These are trimmed to only include New Mexico counties and not counties from surrounding states. In limited cases, they are combined to ensure adjacency. Second, this report uses New Mexico counties as a more granular labor market proxy. Commuting zones often cross county boundaries, which is challenging given the importance of local government leadership in economic development policy. For both commuting zones and county labor markets, the issue is there are not enough jobs available, and the objective is to create jobs.

Second, the report uses neighborhoods. Distress also occurs at the neighborhood level. Neighborhoods are not labor markets, in that most jobs located in a neighborhood are not held by neighborhood residents, and most neighborhood residents do not work in their neighborhood. However, neighborhood distress due to low employment rates is still a problem. Research suggests that children from neighborhoods with low employment rates tend to have worse outcomes as adults.³

Creating new jobs within a distressed neighborhood is often difficult to achieve given a neighborhood's non-local employment. In this case, investments should prioritize increasing job access in these communities, including strengthening transportation across the labor market and providing job training, access to childcare, and other services that encourage participation in the broader labor market. To describe neighborhood level distress, this report uses census tract data.

Labor Market Distress Snapshot

This report combines these three geographies—commuting zones, counties, and neighborhoods—to provide policymakers with the broadest view of New Mexico's labor market distress in a "labor market distress snapshot." First, the snapshot shows the prime-age employment rate at the commuting zone level. Second, the snapshot shows the prime-age employment rate by county. The snapshot also classifies all 33 counties into five categories: competitive, stable, transitional, at risk, and distressed. The five categories were created using the natural breaks in the data, found by deploying the Jenks optimization method. This shows where counties are struggling within commuting zones.

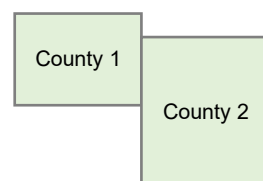
Lastly, the snapshot identifies counties with concentrations of neighborhood distress. In these areas, distress is identified by measuring share of people living in neighborhoods where the prime-age employment rate is significantly below the commuting zone's prime-age employment rate. Green indicates the county has less than average concentration. Yellow indicates the concentration is greater than the statewide average by less than 5 percentage points. Red indicates the concentration is great than 5 percentage points above the average.

The state could maximize ROI by targeting economic development investments to labor markets with a prime-age employment rate significantly below the statewide average of 72.6 percent. In general, the ROI is higher the lower an area's prime age employment rate.

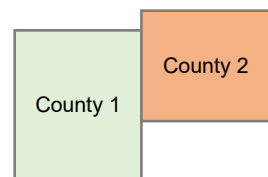
The prime-age employment rate measures the share of the population aged 24 to 54 with a job. This measure is useful because it excludes retirees and those in school, which can distort other measures like the unemployment rate and the labor force participation rate. New Mexico's prime-age employment rate was 72.6 percent in 2024, below the U.S. average of 80.4 percent.

Distress at Different Geographies

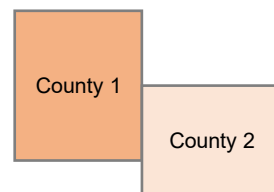
Strong commuting zone



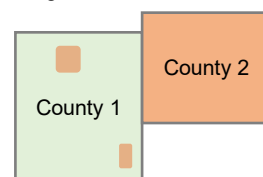
Average commuting zone



Distressed commuting zone



Average commuting zone, with neighborhood distress



Source: U.E. Upjohn Institute, "The illustrated case for targeting local job creation on distressed labor markets."

³ Chetty et al. 2025

New Mexico Labor Market Distress Snapshot 2026

Geography level

Commuting zone level

County level

Neighborhood level

Commuting Zone (CZ)	CZ Prime-age Employment Rate	County	County Distress Designation	County Prime-age Employment Rate	Level of Neighborhood Distress
Northern Rio Grande	77.1%	Los Alamos	competitive	89.2%	
		Santa Fe	stable	77.8%	
		Rio Arriba	transitional	71.8%	
		Mora	transitional	71.3%	
		San Miguel	transitional	70.9%	
ABQ	76.4%	Bernalillo	stable	77.8%	
		Sandoval	stable	76.0%	
		Torrance	transitional	74.1%	
		Valencia	at risk	67.7%	
		Socorro	distressed	57.6%	
Taos	74.5%	Taos	stable	74.5%	
Dona Ana/Sierra	72.3%	Doña Ana	transitional	72.5%	
		Sierra	at risk	66.0%	
Chaves/Eddy	71.4%	Eddy	transitional	73.7%	
		Chaves	at risk	69.2%	
Middle Plains	71.1%	De Baca	competitive	83.5%	
		Quay	stable	76.2%	
		Guadalupe	distressed	58.9%	
Lea	69.4%	Lea	transitional	69.4%	
Southwest Border	67.0%	Hidalgo	transitional	70.9%	
		Grant	at risk	68.6%	
		Luna	distressed	64.7%	
San Juan	66.5%	San Juan	at risk	66.5%	
Curry/Roosevelt	64.5%	Roosevelt	transitional	73.7%	
		Curry	distressed	61.3%	
Northwest Plains	63.3%	Harding	stable	76.5%	
		Colfax	at risk	68.5%	
		Union	distressed	47.9%	
Lincoln/Otero	61.4%	Lincoln	transitional	72.7%	
		Otero	distressed	58.6%	
Cibola/McKinley	56.3%	McKinley	distressed	57.5%	
		Cibola	distressed	53.2%	
Catron	55.9%	Catron	distressed	55.9%	

County distress designation is based on the prime-age employment rate. The five categories are calculated using the natural breaks in the data. Lastly, the snapshot identifies counties with concentrations of neighborhood distress. Neighborhood distress is identified by measuring the share of people living in neighborhoods where the prime-age employment rate is significantly below the commuting zone's prime-age employment rate. Green indicates the county has less than average concentration. Yellow indicates the concentration is greater than the statewide average by less than 5 percentage points. Red indicates the concentration is greater than 5 percentage points above the average.

Prime-age employment rates calculated from ACS 5-year estimates, 2024

Benefits of Investing in Distressed Areas

An analysis of the long-run employment rates among U.S. counties and commuting zones finds that the benefit-cost ratio of job creation is three times higher when jobs are targeted to distressed commuting zones.⁴ In distressed labor markets—where rates of employment are relatively low— it is easier for employers to find new workers locally than in places where more people already have jobs. As a result, job creation in distressed places produces larger increases in local employment rates and, therefore, better multiplier effects.⁵

Using this research, a hypothetical job creation project that created 10 jobs was simulated in different labor market regions. In the first scenario, the jobs are created in the state’s best labor market. The baseline scenario estimates the impact on personal income 10 new jobs using Regional Economic Models, Inc. (REMI), an economic impact model. In the second scenario, the impact from the job creation in a distressed labor market is estimated using the benefit-cost ratio from the literature.

For the first scenario, creating 10 jobs in the best labor markets could increase real disposable personal income by as much as \$1.7 million. For the second scenario, creating 10 jobs in a distressed labor market could increase real disposable personal income by as much as \$6.1 million. The state’s ROI could be 3.6 times higher if it prioritized creating jobs in the state’s most distressed labor markets versus the state’s strongest labor markets. Another way to interpret this finding is that targeting job creation in distressed labor markets has a higher return even if job creation costs are three times higher.⁶

A similar pattern holds within commuting zones: targeting job creation to the more distressed county in a zone produced a benefit-cost ratio 28 percent higher than spreading job creation across the commuting zone.

State Mostly Provides Benefits to Strongest Labor Markets

New Mexico’s widespread distress raises important questions about how to best target economic development investments, especially through the state’s two discretionary programs, the Local Economic Development Act (LEDA) and the Job Training Incentive Program (JTIP).

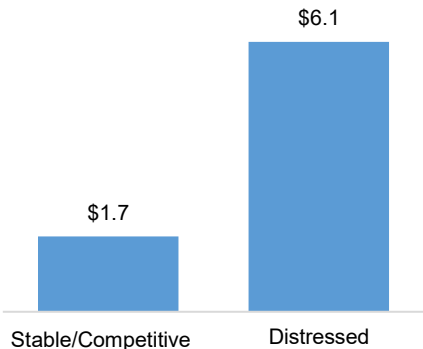
The state has historically invested in select communities. Since FY18, 81 percent of discretionary statewide economic development spending went to Bernalillo, Santa Fe, and Dona Ana labor markets. In the 2024-2025 fiscal year, discretionary LEDA commitments primarily flowed to firms in Albuquerque: five companies in the state’s largest city were awarded \$18.8 million, 94 percent of that year’s total LEDA commitments.

⁴ More specifically, the working paper estimates the prime-age employment rate elasticity in commuting zones relative to an employment shock, then compares the elasticity between commuting zones in the population-weighted 10th percentile, 50th percentile, and the 90th percentile. The elasticity is three times greater among the 10th percentile commuting zones compared with the 50th percentile commuting zones. The paper notes that the benefit-cost ratio can be assumed to be proportional to the elasticity estimates.

⁵ Bartik 2023

⁶ Bartik 2023 estimates the elasticities at the population-weighted 10th, 50th, and 90th prime-age employment rate percentiles of U.S. labor markets. New Mexico’s “competitive” and “stable” county labor markets have about the same employment rates as the 50th population-weighted percentile of U.S. labor markets.

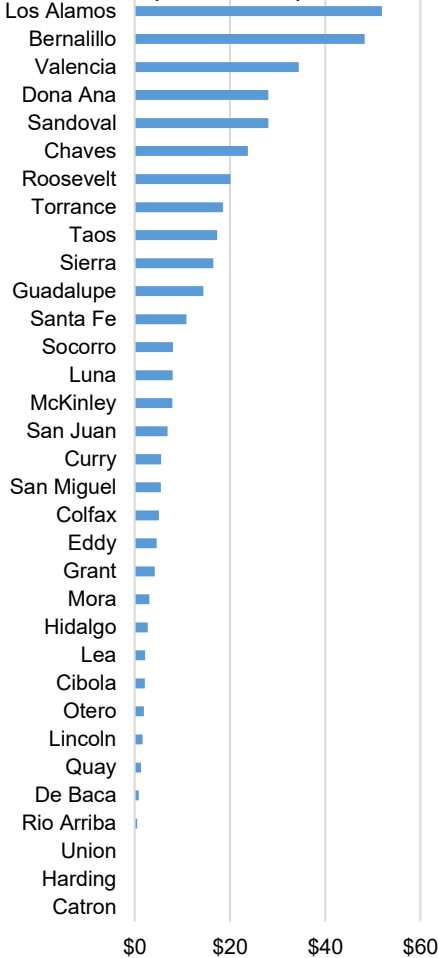
Personal Income Impact of Job Creation Bigger in Distressed Areas (millions)



Note: Increase in real disposable personal income over five year period after a job creation shock equal to 10 jobs created in an stable or competitive labor market and one in a distressed labor market.

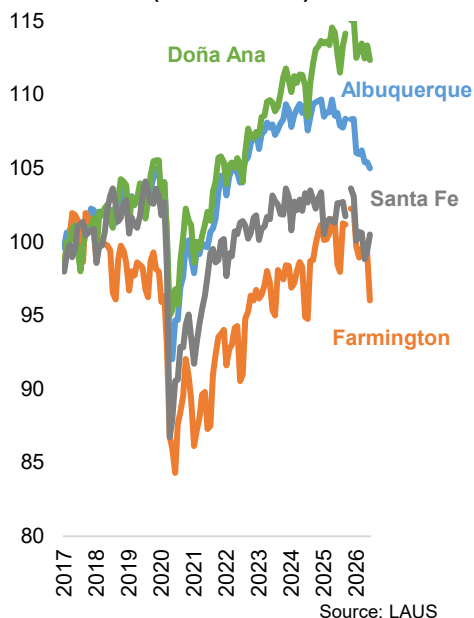
Source: LFC Files

LEDA & JTIP Investments per Capita by County (FY18 - FY25)

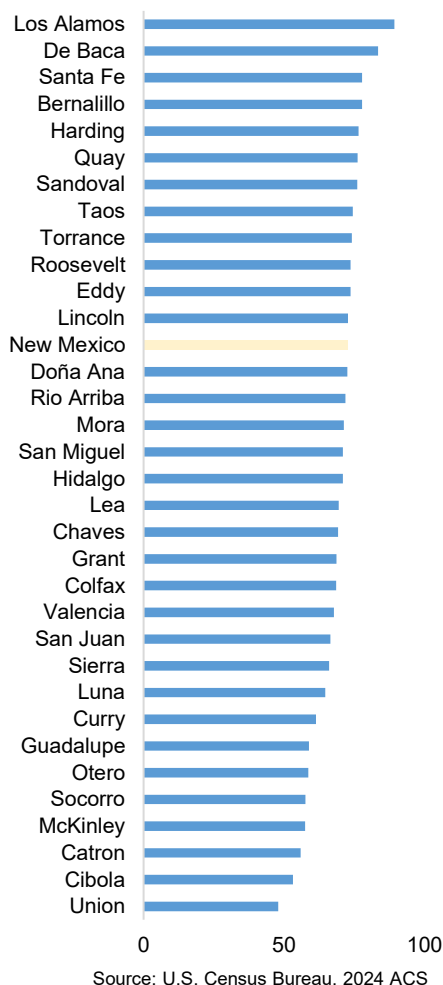


Source: LFC Files

Employment Growth by MSA (index = 2016)



Prime-age Employment Rate by County



The discrepancy is even greater on a per capita basis. Since FY18, Bernalillo County received an average of \$48 per resident per year in discretionary economic development investments. Los Alamos County received an average of \$52 per resident per year. Statewide, counties received just \$12 per resident per year in discretionary economic development investments, roughly a quarter of what Bernalillo County received. Even Santa Fe County — one of the three largest recipients of total dollars —and San Juan County received less than \$11 per resident per year on average. Among labor markets with more than 10 thousand residents, the lowest recipients of discretionary economic development investment per capita were Cibola County (\$2.1), Otero County (\$1.9), Lincoln County (\$1.7), and Rio Arriba County (\$0.6).

Data on the geographic distribution of nondiscretionary economic development programs—like tax incentives—is not readily available.

Why Does the State Fail to Invest in Distressed Areas?

The state lacks a comprehensive strategy for targeting its economic development investments toward the communities with the highest return. Current programs are geared toward rewarding positive labor market conditions of an area. For example, LEDA is viewed as a “closing fund” to secure commitments for a firm considering an expansion or relocation in New Mexico. A business is less likely to consider a distressed labor market as suitable for expansion or relocation, in part because it’s distressed. Similarly, JTIP responds to applications from existing firms planning an expansion, where expansions are occurring due to already positive economic conditions. As currently designed, the state’s economic development investment follow the state’s best labor markets rather than proactively encouraging investment in distressed labor markets that would achieve a higher return.

Furthermore, because some labor markets are stronger and because firms are locating to these areas at a higher rate, the cost per job created is lower in the state’s stronger labor markets compared with its distressed labor markets. Traditionally, the Legislature and state agencies have considered the cost per job to be the total cost of the incentive funding divided by the total jobs created. This measure is useful because it is simple to calculate and compare across programs, but fails to consider that the costs and benefits of job creation are different across places. Without an emphasis on the differential return of these investments, agencies are encouraged to create the cheapest jobs per award.

Lastly, there are few guardrails that encourage economic development investments to go toward distressed areas. No discretionary economic development funding require investments be made in distressed regions and few of the state’s economic nondiscretionary incentives consider regional differences in determining eligibility.