

Legislative Finance Committee

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Alicia J. Keyes, Cabinet Secretary

Jon Clark, Deputy Secretary



Strategies for Economic Development: How to Measure Success

EDD performance has been evaluated almost exclusively by number of jobs and cost per job - why?

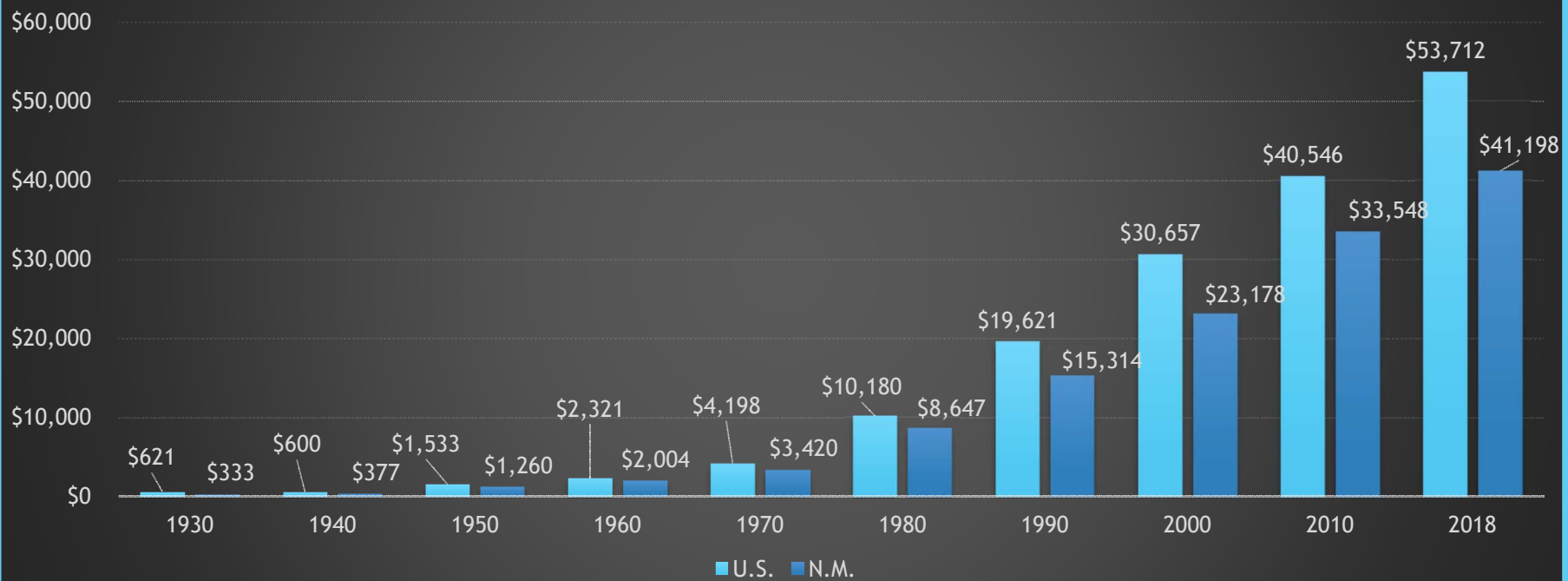
Measuring jobs is easy, and cost is the only easy way LFC has to compare across various programs without resources to do real evaluations.

New Mexico's unemployment rate is only 5%, but wages are low and wage growth is slow - we have a wealth problem, not a jobs problem.

Economic Conditions

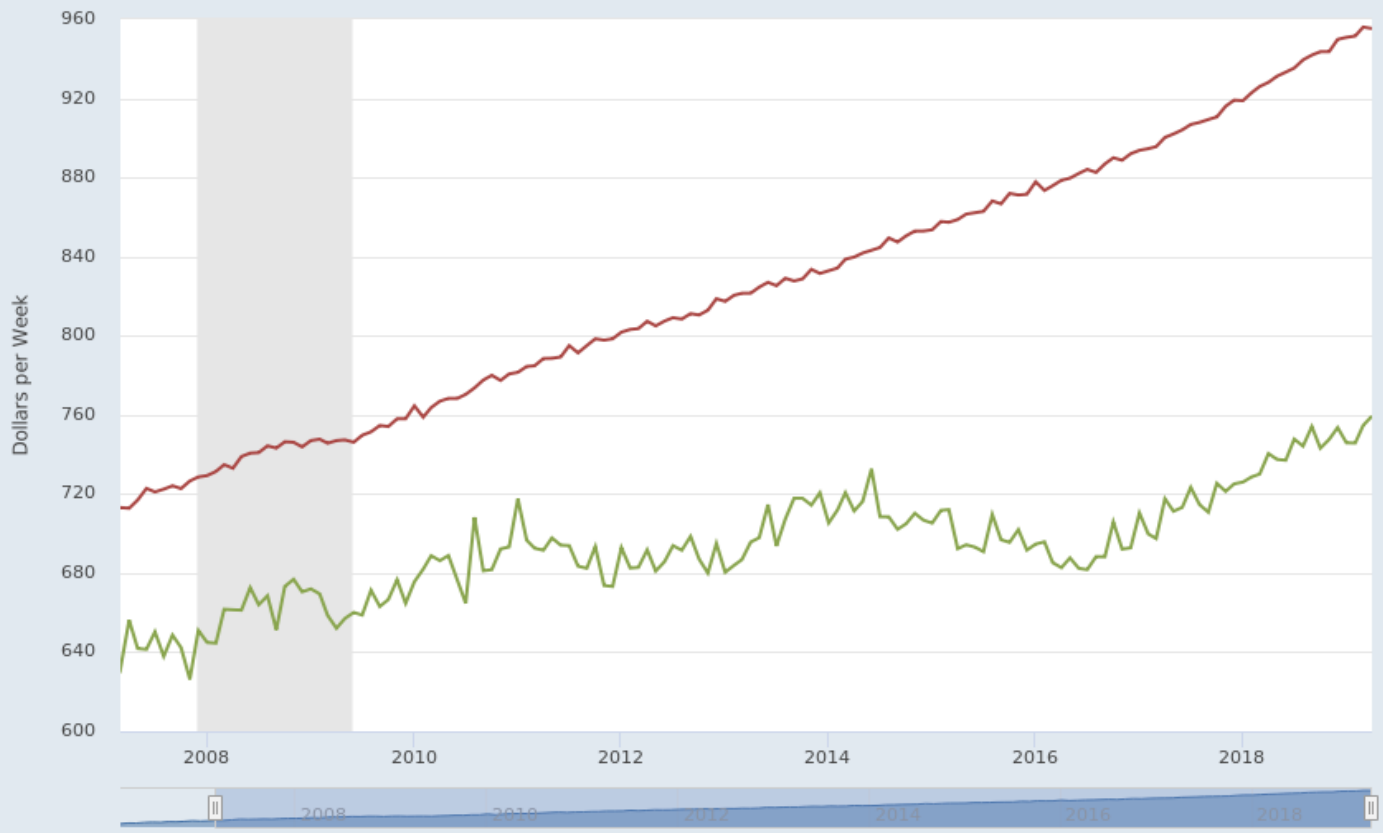
Wealth is the Problem

Per Capita Personal Income



FRED

— Average Weekly Earnings of All Employees: Total Private
— Average Weekly Earnings of All Employees: Total Private in New Mexico



Shaded areas indicate U.S. recessions

Sources: BLS, St. Louis Fed

[myf.fred/g/o3lo](https://myf.fred.stlouisfed.org/g/o3lo)

New Mexico Wealth Levels Impact Key Quality of Life Rankings

Kids Count 2018 Rankings

- ▶ Overall Child Well-Being: New Mexico is 50th
- ▶ Economic Well-Being: New Mexico is 49th
- ▶ Education: New Mexico is 50th
- ▶ Health: New Mexico is 48th

Census Data

- ▶ Percent of Households receiving food stamps: 17.0% (NM is 49th of 52)
- ▶ Percent of Uninsured: 9.1% (NM is 36th of 52)
- ▶ Median Income for Households: \$46,744 (NM is 47th of 52)

Historically focused on jobs --

Now we are focusing on wealth

NMEDD Objectives

- ❖ Increase wealth creation: earnings & investment
- ❖ Improve economic opportunities for New Mexicans
- ❖ Focus on rural communities
- ❖ Diversify economy

How do we accomplish these objectives?

- ❖ Collaboration across agencies and local, state, federal organizations
- ❖ Aggressive recruitment
- ❖ Invest in growing start-ups
- ❖ New programs & funding for existing programs where necessary
- ❖ Target industries - no scattershot approach

Target Industry Sectors

- ▶ Aerospace
- ▶ Biosciences
- ▶ Cybersecurity
- ▶ Film & Television
- ▶ Global Trade
- ▶ Intelligent Manufacturing
- ▶ Outdoor Recreation
- ▶ Sustainable & Green Energy
- ▶ Sustainable & Value-Added Agriculture

Call Centers - An Industry No Longer Targeted

Traditional call centers

- Labor-intensive but not typically high-wage
- Minimal capital investment
- No significant skills required

NMEDD will assist, but we won't provide the same level of incentives - maximum \$1,000 per job for LEDA in urban areas

Local Economic Development Act (LEDA)

LEDA: Rural vs Urban FY14 - FY19 (May)

	Urban	Rural
Jobs	6,426	3,881
Private Investment	\$1,206,049,348	\$1,026,379,091
LEDA Amount	\$38,058,580	\$38,049,838
LEDA per Job	\$5,923	\$9,804
Average Salary	\$43,575	\$34,779

- ▶ Harder to recruit jobs to rural areas and cost is higher
- ▶ Private investment and LEDA amounts are almost as high in rural areas as urban
- ▶ Average salaries were low - result of focus on jobs instead of wealth

Rural v Urban: Prioritizing Funding

- ▶ Two sets of targets - urban and rural
- ▶ Rural areas have unique issues, many rural areas are struggling, and we should use different metrics for these projects
- ▶ We are looking at potential statutory changes (to LEDA and other programs) to improve our ability to assist rural areas and help projects that could have large, catalytic changes in these communities

LEDA: Cost Per Job Targets

- ▶ Target Industry Sectors
 - ▶ High wages & benefits
 - ▶ Potential for high levels of investment
 - ▶ Opportunities for significant growth
 - ▶ Build on existing clusters and local assets
 - ▶ Environmentally-appropriate

Overall cost per job target of \leq \$12,000*

*Over \$20,000 with extraordinary circumstances

Post Performance LEDA Requirements

- ▶ Increase accountability
- ▶ Reduce need to claw back funds
- ▶ Result in significant differences between funds expended & funds obligated
- ▶ Focus on funds obligated & remaining balance
 - ▶ Not on funds expended

LEDA: Examples of Recent Wins

- ▶ C4 Enterprises (Tierra Amarilla)
- ▶ SCEYE (Roswell)
- ▶ Ganymede Games (Las Cruces)
- ▶ Rich Global Hemp

Job Training Incentive Program (JTIP)

JTIP: Prioritizing Rural and High-Wage Jobs

- ▶ JTIP provides higher reimbursement for rural jobs
 - ▶ Urban: 50%
 - ▶ Albuquerque, Las Cruces, Los Alamos, Rio Rancho and Santa Fe
 - ▶ Rural: 65%
 - ▶ Frontier (<15,000 population and outside metro areas), Tribal, Colonias: 75%
- ▶ JTIP encourages high-wage jobs with additional 5% for jobs with salaries above \$60,000

JTIP: Possible Strategies

- ▶ JTIP policies are locked in for FY20
- ▶ For FY21, strategic changes may include:
 - ▶ Raising wage thresholds
 - ▶ Prioritizing industries that diversify the economy and state revenues
 - ▶ Better alignment with target industries
 - ▶ Better coordination with the Workforce Solutions and Higher Education Departments

New Mexico Film Office (NMFO)

Film: Changes Effective July 1, 2019 (SB2):

- ▶ Annual cap increase
 - ▶ From \$50 million rolling cap to \$110 million rolling cap and \$100 million “hard cap” on backlog liabilities
- ▶ Tiered payout system eliminated
- ▶ Creation of “New Mexico film partners”
- ▶ Extra 5% credit for filming in rural locations

Film: Work being done to incorporate changes

- ▶ Ongoing interagency meetings to develop processes for implementing SB2
- ▶ Updating software:
 - ▶ Allows for one-stop database for all information
 - ▶ Allows for ability to create a variety of reports
- ▶ Staff training (rules, processes, procedures)
- ▶ Creating a model to estimate timing of payouts
- ▶ Creating a process to certify fund availability

Film: Data capture process prior to this administration

- ▶ No process to track and report data
- ▶ No process to verify data given by productions
- ▶ No procedure to store/access documents
- ▶ Meetings to discuss incentives not held with every production

Film: Data capture process under new administration

- ▶ Productions required to report amounts spent by county
- ▶ Spreadsheet created to track all data until ReelScout upgrade is complete (information being entered daily)
- ▶ Productions now asked to sign TIA (Tax Information Authorization) form
 - ▶ Will allow EDD/NMFO to access some information previously only accessible by TRD employees
- ▶ Meetings now scheduled with each production that is working with the NMFO

Improved Performance Measures & Reporting / Budget & Staffing

Performance Measures & Reporting / Data-Based Decision Making

- ▶ Significant efforts to improve reporting and accountability across programs, not just film
- ▶ Working internally and with LFC and DFA staff on new performance measures
- ▶ Focusing on outcomes, not outputs
- ▶ Still reporting jobs but focusing on wealth creation by reporting:
 - ▶ Investment levels
 - ▶ Wages: averages, comparisons with regional prevailing wages, and amounts in excess of LEDA & JTIP cost per job

Performance Measures, Continued

- ▶ Agency request is due to LFC/DFA on July 15
- ▶ EDD will implement all measures possible beginning FY20 instead of waiting until FY21
- ▶ Coordinating with Workforce Solutions Department to identify ways to track historical jobs created and wages paid for companies announced in prior years
- ▶ Will use data to improve how we determine LEDA amounts by industry, type of project, etc.

EDD Budget & Staffing: Past & Present

- ❖ FY10: 70 FTE (agency peak)
- ❖ FY20: 52 FTE
- ❖ FY10 recurring general fund budget*:
\$7.9 million
 - ❖ *\$9.4 million* in FY20 dollars after inflation
- ❖ FY20 recurring general fund budget*:
\$7.1 million
 - ❖ *\$6.4 million* excluding other new non-operational funds

EDD Budget & Staffing

- ❖ Need funding for 2 grant writers to compete for millions in federal funds
- ❖ Need a second economist to track data and assist with economic analyses for all the projects under consideration
- ❖ Need funding for the Technology Research Collaborative to invest in startups
 - ❖ NM has a great opportunity to foster an innovative, entrepreneurial ecosystem

Questions?

ADDENDUM

LEDA Performance

	Historic LEDA* All Projects	LEDA w/o Call Centers	LEDA - Call Centers only	LEDA - Target Industries
Jobs	10,307	7,269	3,038	3,867
Private Investment	\$2,232,428,439	\$2,193,930,439	\$38,498,000	\$1,615,056,322
LEDA Amount	\$76,108,418	\$68,421,852	\$7,686,566	\$45,808,416
Leverage	29.3	32.1	5.01	35.3
Average Salary	\$40,208.96	\$43,403.51	\$30,047.93	\$50,834.11

JTIP Performance

	FY15	FY16	FY17	FY18	FY19 (May)	Total
Total companies served	59	60	57	58	67	248
Rural companies	13	8	16	24	23	70
Total workers trained	2,212	2,238	2,009	1,736	2,189	14,221
Rural workers trained	255	121	413	693	1,365	3,469
Urban workers trained	1,957	2,117	1,457	760	642	9,506
Total obligations	\$11.6M	\$13.5M	\$12.7M	\$15,593,031	\$15,852,331	\$77M
% (Total obligations) Rural	17%	6%	30%	30%	52%	20%