

**MINUTES
of the
FIRST MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**June 15, 2017
State Capitol, Room 311
Santa Fe**

The first meeting of the Economic and Rural Development Committee was called to order by Senator Benny Shendo, Jr., chair, on June 15, 2017 at 1:06 p.m. in Room 311 of the State Capitol in Santa Fe.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Debbie A. Rodella, Vice Chair
Sen. Jacob R. Candelaria
Rep. Rebecca Dow
Sen. Ron Griggs
Rep. Tim D. Lewis
Rep. Rick Little
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Rep. Nathan P. Small
Rep. Candie G. Sweetser
Sen. Pat Woods

Absent

Rep. Matthew McQueen
Sen. John Pinto

Advisory Members

Rep. Eliseo Lee Alcon
Rep. Kelly K. Fajardo
Rep. Joanne J. Ferrary
Rep. David M. Gallegos
Rep. Bealquin Bill Gomez
Sen. Mary Kay Papen
Rep. William "Bill" R. Rehm
Rep. Patricia Roybal Caballero
Sen. Elizabeth "Liz" Stefanics
Sen. Bill Tallman
Rep. Linda M. Trujillo
Rep. Bob Wooley
Rep. Monica Youngblood

Rep. Gail Armstrong
Rep. Alonzo Baldonado
Sen. Craig W. Brandt
Sen. William F. Burt
Rep. George Dodge, Jr.
Rep. Yvette Herrell
Rep. D. Wonda Johnson
Sen. Carroll H. Leavell
Rep. Sarah Maestas Barnes
Rep. Rod Montoya
Sen. Mark Moores
Rep. Angelica Rubio
Rep. Patricio Ruiloba
Rep. Nick L. Salazar
Sen. William E. Sharer
Rep. James E. Smith

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
Celia Ludi, Staff Attorney, LCS
Rebecca Griego, Staff, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Thursday, June 15**Call to Order and Introductions**

Senator Shendo welcomed members of the committee and guests to the meeting. Committee members introduced themselves.

Economic Development Department (EDD) Update

Barbara Brazil, deputy cabinet secretary, EDD, introduced several of her staff members: Sara Gutierrez, who manages the Job Training Incentive Program (JTIP); Juan Torres, finance development director; Therese Varela, director, Economic Development Division; Dr. Julia Wise, manager, Office of Science and Technology; and Mark Roper, community, business and rural development manager.

Ms. Brazil reviewed her handout at item (1). She emphasized that the EDD measures economic development by job creation, wealth creation and increased tax revenues and tax base. She said economic development is accomplished by recruitment or expansion of new or existing businesses to New Mexico, which depends on competitive tax and regulatory policies, the availability of buildings and land and a skilled workforce.

Successful recruitment of new businesses, Ms. Brazil observed, is the most difficult piece of economic development, largely because nationwide, there are fewer projects today than there were five years ago, and the competition is tougher. She referred to her third and fourth slides to illustrate this point. She noted that of the projects listed on the third slide, the largest economic development incentive deals in the first quarter of 2017 are projects that did not go to New Mexico. Ms. Brazil identified funds available for disbursement to employers through the JTIP and the Local Economic Development Act (LEDA) as the incentive programs managed by the EDD that have the greatest impact on recruitment.

The JTIP has exceeded its performance metrics so far this year, Ms. Brazil announced. She noted that the JTIP is managed by a statutorily created board, not by the EDD. She said that for fiscal year 2017, the JTIP board increased entry-level minimum hourly wage requirements for

urban areas from \$9.00 to \$11.00 and, for rural areas, from \$8.00 to \$9.50, and the increase has not resulted in any difficulties with employers meeting the new wage requirements.

Ms. Brazil explained that LEDA money is funneled by the EDD to local governments, and local governments manage its distribution to businesses. The business recipients submit invoices to the local governments for review, and the local governments forward the invoices to the EDD for approval before any money is disbursed. For fiscal year 2017, the EDD has added a requirement that the same jobs data be provided to the EDD as is provided to the Workforce Solutions Department.

For more information on the various projects supported by EDD programs, Ms. Brazil referred the committee to slides 12 through 16. She closed by remarking that economic development is not a sprint, but a marathon, and she observed that almost every community in New Mexico has some combination of resources that is needed by some company that will, in turn, contribute to the community's economic growth.

Committee members posed extensive questions and offered several comments on Ms. Brazil's presentation.

A member asked whether, if a project is JTIP eligible, it is automatically eligible for LEDA funds as well. Ms. Brazil responded that almost always, projects are eligible for both programs. The member suggested that the EDD website include that information.

Several members expressed interest in getting specific information about the impact on businesses that the proposed tax reform bill, particularly the elimination of credits or deductions of the gross receipts tax, will have.

A member drew attention to Senate Memorial 87 (2017 regular legislative session) that requested the New Mexico State University College of Business, the New Mexico Department of Agriculture and the Robert Wood Johnson Center for Health Policy at the University of New Mexico to serve as a lead team in convening a statewide working group that includes a broad range of stakeholders to study and recommend ways to sustain rural grocery stores, including public-private partnerships. The memorial suggests town hall-style meetings to inform communities of the financial and social consequences of the loss of local grocery stores and requests a report from the working group to be presented to the appropriate legislative interim committee by July 1, 2018.

The committee discussed the issue of the burden on businesses of various rules and regulations, especially in regard to licensing and permits. Ms. Brazil responded that Governor Susana Martinez's administration undertook such a review of the issue early in its tenure, building on work that was done in Governor Bill Richardson's administration, and reports and recommendations went to the various executive agencies. Since then, she said, progress has been made in reducing the bureaucratic burden on businesses, but it is still a checkerboard system.

She noted that a new licensing portal will be launched on July 1 that will provide a one-stop place for licensing information and applications. Several committee members expressed concern about complaints they have received about the Construction Industries Division (CID) of the Regulation and Licensing Department regarding timely scheduling of inspections and issuing of permits. A member asked whether the reduction in the number of state employees had affected licensing and permit approval rates. Ms. Brazil said that she did not know about other agencies, but the EDD is doing well.

A member commented that local businesses have complained that state agencies do not adopt rules but rely instead on policy statements contained in informal and unpublished memoranda, which makes it difficult-to-impossible for businesses to find out what the requirements are. A committee member requested information about the Small Business Regulatory Advisory Commission (SBRAC), which was created in 2005 to review proposed rules to determine whether the proposed rule would have an adverse impact on small businesses. The member commented that the SBRAC is administratively attached to the EDD, but apparently the SBRAC has never been functional. Ms. Brazil replied that the SBRAC was created by statute as an advisory body only, and it has no regulatory authority. A member expressed frustration that legislators often hear complaints that regulations are stifling businesses, but there seems to be no information about what regulations are having a stifling effect on what businesses. A committee member recounted experiences where agencies ignored recommendations expressed in rulemaking hearings by affected parties and then promulgated rules that were a detriment to the affected businesses.

Referring to Ms. Brazil's slide 8, "Our Programs Work for All 16,000 New Jobs Assisted Since 2011", a member asked whether New Mexico has experienced a net increase or net decrease in jobs since 2011. Ms. Brazil replied that there have been a lot of big problems, such as the oil and gas industry decline, federal sequestration, the recession, and Intel's decision to relocate much of its manufacturing outside of New Mexico, that have affected jobs in New Mexico, but New Mexico has a great future.

A member expressed dismay about the listing of "skilled workforce" as the last item on Ms. Brazil's second slide, and the member referenced a recent article in the *Albuquerque Journal* that said that taxes and regulations are not the most important consideration for businesses but that the availability of an educated and skilled workforce is the primary consideration.

A member commented that local taxes and regulations are as big a problem to businesses as state taxes and regulations are, but the legislature cannot do much about local government decisions.

A member requested more specific information about the meaning of the statement in Ms. Brazil's slide 5 regarding Keter Plastics in Belen, that "NM beat that competition due to our improved business climate". Mr. Roper responded that the availability of LEDA and JTIP funds and the reduction in the corporate income tax rate were the primary factors in Keter Plastics'

relocation to Belen. Mr. Roper added that the availability of an existing suitable building helped in Keter Plastics' decision.

A member stated that New Mexico has been flagged as having the most hostile legal environment for business in the country and asked Ms. Brazil to comment. Ms. Brazil said she was not sufficiently informed to comment, and said she would bring the question to the attention of Secretary of Economic Development Matt Geisel. A member said that the problems most often identified as obstacles to business in New Mexico are lack of access to capital, lack of an educated and skilled workforce and legal risks attendant to doing business in New Mexico.

A member requested the EDD to report back to the committee in detail on requests for and approvals and amounts of LEDA and JTIP funds.

2017 Interim Work Plan and Meeting Schedule

Ms. Casebier presented the proposed 2017 draft work plan and meeting schedule. She advised the committee that the following issues would be added to the work plan:

- health care: rural access and jobs;
- rapid workforce development;
- the impact of proposed tax reform, specifically the elimination of certain tax credits; and
- how to support retail renovations with LEDA funding.

Committee members requested the addition of the following topics to the work plan:

- recommendations from the CID and others to streamline the inspections and permitting processes at state and local levels;
- a report by the Workforce Solutions Department on its Rapid Workforce Development Fund, its findings on training preparedness and on the data the department collects to determine which of its initiatives are working and which are not;
- a report from the State Personnel Office regarding current vacancy rates, the time to fill vacancies and the effect of staffing levels on the backlog of permits and licenses;
- a report from the New Mexico Department of Agriculture on value-added agriculture;
- renewable energy;
- a full review of New Mexico's business-hostile legal environment;
- an update from the Independent Hearing Office;
- the development of vocational education;
- coordination among newly proposed state agency programs; and
- a report from the Legislative Finance Committee on the duplication of state agency services.

As to meeting locations, after discussion, the committee agreed that the July 26-27 meeting will be in Ruidoso; the August 31-September 1 meeting will be in Cimarron; the September 14 meeting will be in Truth or Consequences; and the September 15 meeting will be a joint meeting with the Mortgage Finance Authority Act Oversight Committee in Santa Teresa. The committee will also be seeking approval from the New Mexico Legislative Council to hold the October 2-3 meeting in Hernandez and Chama.

The committee also agreed that representatives of the local governments in the communities where the meetings will be held should be invited to address the committee regarding their top five economic development needs and requests.

On a motion made by Representative Rodella, seconded by Senator Padilla, and without opposition, the committee voted to approve the work plan and meeting schedule as presented and discussed.

Adjournment

There being no further business before the committee, the first meeting of the Economic and Rural Development Committee for the 2017 interim adjourned at 3:00 p.m.