



NEW MEXICO LEGISLATURE

ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

2017 INTERIM FINAL REPORT

LEGISLATIVE COUNCIL SERVICE
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INTERIM SUMMARY

Economic and Rural Development Committee 2017 Interim Summary

The Economic and Rural Development Committee (ERDC) was created by the New Mexico Legislative Council for the 2017 interim and met six times in communities throughout the state. The committee traveled to Ruidoso, Mescalero, Cimarron, Truth or Consequences, Hernandez and Chama; held a joint meeting with the Mortgage Finance Authority Act Oversight Committee in Santa Teresa; and held two meetings in Santa Fe.

The ERDC's focus for the 2017 interim was on issues that have the potential to spur and support economic development in the state. As in previous years, the committee heard presentations on broadband deployment and ways that the state and telecommunications carriers are furthering the goal of full deployment. Health care in rural communities was another topic that received much attention, as was the development and regulation of renewable energy industries. Some other topics explored by the committee included legalization of recreational cannabis, economic contributions of the film industry, the value-added agriculture industry and the economic opportunities and challenges within the Dona Ana County-Mexico border region.

Over the interim, the committee considered methods to improve the efficiency of construction permitting and inspection processes and explored ideas for supporting in-state industries and smaller businesses through the Procurement Code. The committee also heard about opportunities for legal reform to foster more predictability for businesses in assessing potential legal liabilities. The committee heard programmatic updates from state agencies whose missions have an impact on economic development, including the Economic Development Department, the Workforce Solutions Department and the Tourism Department. In addition, the committee received detailed updates on the progress of the Rapid Workforce Development Fund and the activities of Spaceport America.

The New Mexico Legislative Council tasked the committee in the 2017 interim with receiving reports and updates on the work that had been undertaken by the Jobs Council in previous interims. To that end, the committee received an in-depth report on the work of the Jobs Council and learned of its legislative recommendations on retiree recruitment, solo workers, soft skills and broadband for business.

The committee endorsed six pieces of legislation, including three bills to appropriate funds to programs recommended by the working groups of the Jobs Council; an appropriation for New Mexico-grown fresh fruits and vegetables for school meals and juvenile detention centers; an appropriation for aquifer mapping in Colfax, Harding, Mora and Union counties; and a memorial addressing investment in and economic development of frontier communities.

WORK PLAN AND MEETING SCHEDULE

**2017 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

Members

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
Rep. Matthew McQueen
Sen. Michael Padilla
Sen. John Pinto
Rep. Jane E. Powdrell-Culbert
Rep. Nathan P. Small
Rep. Candie G. Sweetser
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon
Rep. Gail Armstrong
Rep. Alonzo Baldonado
Sen. Craig W. Brandt
Sen. William F. Burt
Rep. George Dodge, Jr.
Rep. Kelly K. Fajardo
Rep. Joanne J. Ferrary
Rep. David M. Gallegos
Rep. Bealquin Bill Gomez
Rep. Yvette Herrell
Rep. D. Wonda Johnson
Sen. Carroll H. Leavell
Rep. Sarah Maestas Barnes
Rep. Rod Montoya

Sen. Mark Moores
Sen. Mary Kay Papen
Rep. William "Bill" R. Rehm
Rep. Patricia Roybal Caballero
Rep. Angelica Rubio
Rep. Patricio Ruiloba
Rep. Nick L. Salazar
Sen. William E. Sharer
Rep. James E. Smith
Sen. Elizabeth "Liz" Stefanics
Sen. Bill Tallman
Rep. Linda M. Trujillo
Rep. Bob Wooley
Rep. Monica Youngblood

2017 Approved Work Plan

The Economic and Rural Development Committee (ERDC) was created by the New Mexico Legislative Council on June 5, 2017. During the 2017 interim, and as time permits, the ERDC proposes to explore and discuss major areas and specific issues affecting economic and rural development as follows:

- A. business development resources and state-supported strategies;
- B. workforce development and education, including:
 - 1. the importance of a mixed delivery early childhood development system; and
 - 2. developing vocational education;

- C. infrastructure, utilities and basic needs in New Mexico communities, including:
 - 1. broadband deployment in rural communities;
 - 2. energy infrastructure, including plans for future development and renewable energy;
 - 3. rural access to health care and health care industry employment; and
 - 4. building business infrastructure for rural grocery stores and retail or service-oriented businesses under the Local Economic Development Act or other government-sponsored initiatives;

- D. regulation and licensing, including:
 - 1. revisions to the Procurement Code to provide preferences for small businesses;
 - 2. barriers to occupancy of vacant buildings in rural communities;
 - 3. recommendations from the Construction Industries Division of the Regulation and Licensing Department and other stakeholders on how to streamline permitting and inspection processes at the state and local levels; and
 - 4. the effects of state personnel staffing levels on the issuance of permits and licenses;

- E. taxes and financial incentives, including:
 - 1. a report on the Native fuel tax;
 - 2. tax credits and incentives for businesses and related economic impacts; and
 - 3. a report on the lodger's tax;

- F. reports from state agencies and political subdivisions, including:
 - 1. the work of the Jobs Council;
 - 2. current and proposed programs and 2018 legislative priorities of the Economic Development Department and its associated divisions;
 - 3. current and proposed programs and 2018 legislative priorities of the Workforce

Solutions Department, including detailed reporting on the Rapid Workforce Development Fund and its effectiveness in training and preparing employees and recruiting companies to the state;

4. current and proposed programs and 2018 legislative priorities of the Regulation and Licensing Department and its associated divisions;
 5. current and proposed programs and 2018 legislative priorities of the Tourism Department;
 6. updates and legislative priorities of the Taxation and Revenue Department;
 7. the initiatives and recent activities of Spaceport America;
 8. an update from the Independent Hearing Office on its effectiveness in efficiently resolving tax disputes;
 9. a report from the Legislative Finance Committee on duplicative state agency services and overlapping regulations; and
 10. efforts and opportunities to coordinate newly proposed state agency programs;
- G. additional topics relating to rural and economic development in the state, including:
1. economic opportunities around the Gallup transportation loading facility;
 2. the future of copper mining;
 3. value-added agricultural industries;
 4. capital outlay needs of the Cumbres and Toltec Scenic Railroad; and
 5. New Mexico's legal environment for businesses and opportunities for reform; and
- H. proposed economic-development-related legislation.

**Economic and Rural Development Committee
2017 Approved Meeting Schedule**

| <u>Date</u> | <u>Location</u> |
|-----------------------|---|
| June 15 | Santa Fe |
| July 26-27 | Ruidoso |
| August 31-September 1 | Cimarron |
| September 14-15 | Truth or Consequences; Santa Teresa (joint meeting with the Mortgage Finance Authority Act Oversight Committee) |
| October 2-3 | Hernandez; Chama |
| November 6-7 | Santa Fe |

AGENDAS AND MINUTES

Revised: June 13, 2017

**TENTATIVE AGENDA
for the
FIRST MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

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

Thursday, June 15

- 1:00 p.m. **Call to Order and Introductions**
—Senator Benny Shendo, Jr., Chair
- 1:15 p.m. (1) [Economic Development Department \(EDD\) Update](#)
—Barbara Brazil, Deputy Cabinet Secretary, EDD
- 2:30 p.m. (2) [2017 Interim Work Plan and Meeting Schedule](#)
- 3:30 p.m. **Adjourn**

**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.

**TENTATIVE AGENDA
for the
SECOND MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**July 26, 2017
Performing Arts Vestibule
Ruidoso Middle School
124 Warrior Drive
Ruidoso**

**July 27, 2017
Inn of the Mountain Gods (6th Floor)
287 Carrizo Canyon Road
Mescalero**

Wednesday, July 26 — Performing Arts Vestibule, Ruidoso Middle School, Ruidoso

- 9:00 a.m. **Call to Order, Introductions and Approval of Minutes**
—Senator Benny Shendo, Jr., Chair
- 9:15 a.m. (1) **Welcome**
—Jason Edmister, Associate Superintendent, Ruidoso Municipal School
District
- 9:30 a.m. (2) **Economic Development Priorities of the Village of Ruidoso**
—Tom Battin, Mayor, Village of Ruidoso
- 10:15 a.m. (3) **Developing Vocational Education**
—Dr. Clayton Alred, President, Eastern New Mexico University-Ruidoso
- 11:00 a.m. (4) **Economic Development Priorities and Initiatives of Regional Economic
Development Associations**
—James Miller, Ph.D., Dean Emeritus, Eastern New Mexico University-
Ruidoso
—Bruce Swingle, Chair, Middle Rio Grande Economic Development
Association (invited)
- 12:00 noon **Lunch**

- 1:00 p.m. (5) [Tourism: State, Regional and Local Perspectives](#)
—Rebecca Latham, Secretary, Tourism Department
—Gina Kelley, Director of Tourism, Village of Ruidoso
—Jason Weeks, Lobbyist, New Mexico Hospitality Association
—Timothy Roberts, Regional Manager, New Mexico Historic Sites
- 2:15 p.m. (6) [Chambers of Commerce: Supporting Small Businesses](#)
—Becky Brooks, Executive Director, Ruidoso Valley Chamber of
Commerce
—Mike Espiritu, President and Chief Executive Officer, Otero County
Economic Development Council and Alamogordo Chamber of
Commerce
- 3:15 p.m. (7) [The Impact of Broadband on Economic Development](#)
—Vince Tyson, Chief Operating Officer, Plateau
- 4:15 p.m. **Public Comment**
- 4:30 p.m. **Recess**

Thursday, July 27 — Inn of the Mountain Gods (6th Floor), Mescalero

- 9:00 a.m. **Reconvene — Introductions**
—Senator Benny Shendo, Jr., Chair
- 9:10 a.m. (8) [Welcoming Remarks](#)
—Danny Breuninger, President, Mescalero Apache Tribe (invited)
- 9:45 a.m. (9) [Economic Development Initiatives of the Mescalero Apache Tribe](#)
—TBD
- 10:45 a.m. (10) [A Report on the Work of the Jobs Council](#)
—Mark Lautman, Principal, Community Economics Laboratory
—Charles Lehman, Principal, Community Economics Laboratory
- 12:45 p.m. **Public Comment**
- 1:00 p.m. **Adjourn**

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

**July 26, 2017
Performing Arts Vestibule
Ruidoso Middle School
Ruidoso**

**July 27, 2017
Inn of the Mountain Gods
Mescalero**

The second meeting of the Economic and Rural Development Committee was called to order by Senator Benny Shendo, Jr., chair, on July 26, 2017 at 9:22 a.m. in the Performing Arts Vestibule of Ruidoso Middle School in Ruidoso.

Present

Sen. Benny Shendo, Jr., Chair (7/26)
Rep. Debbie A. Rodella, Vice Chair
Sen. Jacob R. Candelaria
Rep. Rebecca Dow
Sen. Ron Griggs
Rep. Tim D. Lewis
Sen. Richard C. Martinez
Rep. Matthew McQueen
Sen. Michael Padilla
Sen. John Pinto (7/27)
Rep. Jane E. Powdrell-Culbert
Rep. Candie G. Sweetser
Sen. Pat Woods (7/26)

Advisory Members

Sen. William F. Burt (7/26)
Rep. Kelly K. Fajardo (7/27)
Rep. Bealquin Bill Gomez
Rep. Sarah Maestas Barnes
Sen. Mark Moores
Sen. Mary Kay Papen
Rep. William "Bill" R. Rehm
Rep. Patricia Roybal Caballero
Sen. Elizabeth "Liz" Stefanics
Sen. Bill Tallman

Absent

Rep. Rick Little
Rep. Patricia A. Lundstrom
Rep. Nathan P. Small

Rep. Eliseo Lee Alcon
Rep. Gail Armstrong
Rep. Alonzo Baldonado
Sen. Craig W. Brandt
Rep. George Dodge, Jr.
Rep. Joanne J. Ferrary
Rep. David M. Gallegos
Rep. Yvette Herrell
Rep. D. Wonda Johnson
Sen. Carroll H. Leavell

Rep. Linda M. Trujillo (7/27)
Rep. Bob Wooley (7/26)

Rep. Rod Montoya
Rep. Angelica Rubio
Rep. Patricio Ruiloba
Rep. Nick L. Salazar
Sen. William E. Sharer
Rep. James E. Smith
Rep. Monica Youngblood

(Attendance dates are noted for members not present for the entire meeting.)

Staff

Celia Ludi, Staff Attorney, Legislative Council Service (LCS)
Rebecca Griego, Staff, LCS
Tessa Ryan, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Wednesday, July 26

Call to Order and Introductions

Senator Shendo welcomed the committee and guests. He thanked Cecily Hooker, principal, Ruidoso Middle School, and her staff for hosting the meeting.

Welcome

Jason Edmister, associate superintendent, Ruidoso Municipal School District, recognized Ms. Hooker and Mike Speck, assistant principal, Ruidoso Middle School, who were in the audience, and highlighted some of the district's accomplishments: 1) the schools' having gone from failing to passing grades; 2) the district's having received a grade of B in 2016; and 3) the narrowing of student achievement gaps. Much of that progress is attributed to a data-driven focus on improvement and the cooperation of dedicated staff, he said.

Questions and Discussion

On questioning, Mr. Edmister elaborated on his statements about the district as follows: 1) it achieved its rise in student performance by targeting areas of weakness, as shown by assessments, and then having teachers adjust their instruction accordingly; 2) student performance varies by grade level and subject and is generally higher in upper-level courses; 3) to further improve, the district focuses on quality of instruction, benchmarks and achievement gaps; 4) the district actively seeks parents' volunteer help with school-related activities, and it sponsors many after-school community events; 5) the district is big enough to hire full-time staff

to work with special-needs students if needed; 6) the student population has plateaued; 7) most of the families of students who leave the district move to Texas or eastern New Mexico; 8) teacher retention has been an issue, stemming in part from dissatisfaction with the evaluation system; 9) the district recently began actively recruiting teachers; and 10) the Native American student population fell from about 30% to 20% following the opening of a high school in Mescalero.

Economic Development Priorities of the Village of Ruidoso

Tom Battin, mayor, Village of Ruidoso; Debi Lee, village manager, Village of Ruidoso; and Dallas Draper, county commissioner, Lincoln County, District 3, formed a panel to discuss economic development in the Ruidoso area. Mayor Battin commented as follows on the village's characteristics, recent achievements and the issues it faces.

Village characteristics. Small business, tourism and recreation drive the village's economy. The village has experienced an uptick in tourism in the past few years — its population of 8,000 often swells to 40,000 or more on weekends. The neighboring Mescalero Apache Reservation, with its ski area, hotel, casino, ziplines and trails, draws visitors to the area. College and youth sporting events and training programs in Ruidoso also attract visitors.

In other contexts, Ruidoso: 1) enjoys a good relationship with the Mescalero Apache Tribe; 2) has a sister city relationship, designed to foster business growth, tourism and student exchange, with Puerto Peñasco, Mexico; 3) provides high levels of public and fire safety; 4) is marked by good economic indicators, such as a recent increase in home sales, in the median price of homes and in new registered businesses; and 5) is financially healthy, as evidenced by its strong bond ratings and positive cash balance at the end of fiscal year (FY) 2017.

Recent village achievements. Ruidoso has made increasing its water supply a priority and, accordingly, has improved its water infrastructure and expanded its water rights. In recent years, the village invested \$15 million in such improvements, which include the installation of a membrane seal on the Rio Grande dam and the repair of leaky pipes. Additionally, the village recently finished a mile-long river trail project and recently built a midtown parking lot.

Village issues and future projects. Ruidoso faces issues, including: 1) the lack of affordable housing for its workforce; 2) regulatory constraints on development in areas such as wastewater treatment; 3) the need for public transportation systems that extend to surrounding rural areas for use by visitors, seniors and workers, in particular; 4) the shortage of parking and the need for improved pedestrian accessibility, particularly in the village's midtown; and 5) the consequences of recent natural disasters, like Hurricane Dolly, which caused flooding that washed away bridges and damaged the village's main wastewater treatment line.

To contend with these and other issues, the village: 1) has developed an affordable housing plan that involves participation by public and private entities; 2) has met with federal Environmental Protection Agency representatives; 3) will soon begin the construction of a pedestrian ramp and stairwell from the new parking lot to its main street; 4) plans to consolidate

and relocate its offices to a closed school building and, possibly, also make the building suitable for judicial offices and services; 5) is working with the federal government to replace the washed-out bridges and to repair the damaged sewer line; and 6) would like state help in funding the housing, municipal complex and bridge reconstruction projects.

Additional comments. Ms. Lee underscored Mayor Battin's comments on the village's financial and water-related accomplishments, noting that before her assumption of the role of village manager, the village's books were unreconciled, its budget was imbalanced and its water pipe infrastructure had substantial leakage.

Commissioner Draper remarked on his lifelong involvement with the Ruidoso Downs racetrack and expressed optimism toward its new ownership; he then discussed, as follows, the county's plans for building a new medical center. The county engaged the public in planning the center, for which voters recently approved funding. Once the medical center is built, the old hospital building will be demolished. The new medical center will feature three operating rooms and the capacity for future growth. Several medical professionals and specialists are being recruited to work in it. Given the high concentration of retirees in Ruidoso, the center will serve an important function.

Questions and Discussion

On questioning, the committee and presenters addressed the following topics.

Recent accomplishments. A member lauded the village and the county for their effectiveness in bringing to fruition high-priority projects and for helping to make the area an attractive destination. Another member commended the village for recently establishing a state-of-the-art water metering system.

Broadband infrastructure. Noting that broadband internet access enhances higher education opportunities, economic development and health care services, a member highlighted some of the recently enacted, broadband-related legislation and recommended that the local governments consider employing the tools created by the legislation. Mayor Battin replied that broadband infrastructure is a high priority of the village, that the village has made advancements in that area and that it is pursuing ongoing broadband-related improvements, which would, in part, help attract home-based workers to relocate to the area. Commissioner Draper said that improving broadband infrastructure is also a high priority of the county and that the county has worked with its communities on broadband-expansion efforts, especially insofar as those efforts employ "dig once" efficiencies. Ms. Lee indicated that the village is in the early stages of its next broadband-enhancement efforts and that the project's associated costs have not yet been determined. A member recommended turning to the United States Department of Agriculture (USDA) for help with funding the project.

Water, building and bridge infrastructure. A member recommended that the village consider measures employed by other municipalities to encourage residential water conservation.

Mayor Battin reiterated that the village has taken steps that drastically reduce its water loss, including the implementation of automated water metering, which is capable of detecting leaks. Ms. Lee stressed the importance to the village of water conservation and noted that it has a water conservation plan and undergoes a water audit yearly. She added that the village: 1) has two watersheds, one of which has a plentiful supply and the other of which has a more limited supply; 2) recently hired a former employee of the Office of the State Engineer to work on water management; and 3) recently signed a contract to secure water resources on U.S. Forest Service (USFS) lands. Commissioner Draper stated that the county's water situation has improved but that drought is a lingering threat that will take time, communication and partnerships to lessen.

To accomplish its public infrastructure goals, members recommended that the village: 1) discuss with the county the possibility of incorporating magistrate courts in its municipal complex project; 2) seek money from the USDA for its bridge replacement projects; and 3) consult with the New Mexico Mortgage Finance Authority on reducing affordable housing shortages.

Racetrack. Mayor Battin indicated that the new owner of the Ruidoso Downs racetrack has committed to improving the facility, but the details of the planned improvements have not been made public.

Local taxes. Ms. Lee said that the village's gross receipts tax (GRT) revenue levels for recent periods are down compared with those periods from the prior year, a trend belying the fact that corresponding tourism levels, as evidenced by the recent bump in lodgers' tax revenue, have risen. The reason for the anomaly is difficult to pinpoint because the Taxation and Revenue Department is prohibited from disclosing detailed taxpayer payment information, she said. Mayor Battin appealed to the committee to seek changes in law that would permit more detailed disclosure on local GRT revenues. He also said that the village council will soon consider imposing a hold harmless GRT increment and is likely to enact the measure.

Wildfires. Ms. Lee identified ways the village addresses wildfire threats through: 1) its department dedicated to forestry; 2) active efforts to secure federal funding for wildfire prevention; and 3) an ordinance requiring property owners to thin trees on their land, a requirement that 90% of those owners have complied with and for which federal money is available. Commissioner Draper indicated that the county and its municipalities work well with the USFS, which will soon begin projects in the nearby ski area, and with the Mescalero Apache Tribe. He said that there is active forest thinning in the area and that the county is working with the USFS on a wildfire prevention plan.

Economic development. A member stressed the importance for places like Ruidoso of lessening reliance on state funding by diversifying the economy, undertaking planning initiatives, for which federal money is available, and leveraging resources through partnerships with other public and private entities.

Developing Vocational Education

Dr. Clayton Alred, president, Eastern New Mexico University-Ruidoso (ENMU-R), argued in favor of preserving two-year higher education institutions in the state. Having conducted a comprehensive economic impact analysis of those institutions, a firm found in 2012 that two-year higher education institutions generate hundreds of millions of dollars in their communities each year. For students, they help build earning capacity. For employers, they help fill workforce needs. For communities, they help build residents' earning power and, thus, their ability to buy homes that are more expensive and spend more money in the community, two factors that increase tax yields.

Dr. Alred highlighted some of ENMU-R's offerings, including a nationally recognized, all-online cybersecurity program and first responder training in wildland firefighting, emergency medical services and structural firefighting.

Dr. Alred continued by articulating his observations of recent legislative measures that affect the state's higher education system. First, state funding has dwindled to the point where, for example, the school could not today start its cybersecurity program without external help, as it did. Second, the state could improve its economy by infusing money into targeted training programs in community colleges, such as through the rapid workforce development program. ENMU-R applied for funding through that program to train residents in wind farm technology, a field in which the demand for skills is growing as wind farms are being developed in the region. The school is awaiting an announcement on selection.

In closing, Dr. Alred invited the committee to visit the ENMU-R campus and noted that the institution recently completed a general obligation bond remodeling project.

Questions and Discussion

Wind farm development. A member whose constituents are landowners in nearby communities relayed having heard from community members of the need for education related to leasing land for wind farm development. Dr. Alred affirmed that a course at ENMU-R providing such education would be worthwhile.

Tuition rates; lottery scholarships; community served. On the subjects of ENMU-R tuition costs and the school's students, Dr. Alred commented that: 1) unlike the so-called "debt mill" colleges, ENMU-R's tuition rates are among the lowest in the country and the second-lowest in the state; 2) most of the school's students, because of their stage in life and part-time status, are ineligible for the lottery scholarship; 3) for those who are eligible, the recent changes to the scholarship are rather insignificant, given the school's modest tuition rates; 4) most other states' financial aid programs are far less generous than New Mexico's; and 5) in general, ENMU-R's students come from the area and stay in the community.

Needs-based course creation. A member named some examples of other two-year schools' achievements in responding to workforce needs with rapid course development and noted the value of that function for job creation and economic development.

Firefighter training. Dr. Alred summarized ENMU-R's firefighter programs, which include courses for advancement within the profession. A member commented on the need, particularly in rural parts of the state, for more volunteer firefighters; that need, the member said, is due in part to the difficulty of the work, the requirement for course work and the cost of, and limited access to, courses to fulfill that requirement. The member stressed that making those courses more widely available would help save lives.

Education's role in job creation; ENMU-R accreditation. Remarking on the fact that the state's general appropriation act uses job creation as a performance measure in only one instance, a member asked whether ENMU-R gauges its students' success in finding jobs after graduation. Dr. Alred answered affirmatively and explained that the school instituted such metrics to comply with federal grant requirements. Though, for now, the metrics apply only to certain programs, ENMU-R is moving toward their universal application, he said. He also remarked that licensure passage rates and institutional accreditation are other important performance measures. The member requested that Dr. Alred provide staff with examples of the metrics ENMU-R uses.

Economic Development Priorities and Initiatives of Regional Economic Development Associations

Ray Dean and Rick Merrick, participants in South Central Mountain Economic Development Association (SCMEDA) planning, and Michael Olguin, a participant in Middle Rio Grande Economic Development Association planning, spoke on initiatives of those associations.

Mr. Dean described the SCMEDA and its planning process as follows. The association received money from the USDA to participate in its Stronger Economies Together program. Through the program, representatives and residents from communities in Lincoln County, Mescalero Apache tribal land and Otero County converged to create an economic development plan for the region. The process involved identifying the region's challenges, assets and sectors for economic diversification. Those sectors are: 1) tourism, recreation and cultural heritage; 2) agriculture, forest and wood products and energy production; 3) light industry and small corporation development; and 4) biomedical and biotechnical. The group also identified measures that the legislature can take to support the plan; those measures are listed on slide 15 of the handout.

Mr. Merrick made the following comments on forestry issues as they relate to the plan: 1) by harvesting biomass from the area's forests, the forest products industry can help reduce the threat of wildfire; 2) it is important that access to that biomass be reliable; and 3) local forest product businesses have begun collaborations with businesses based in the border region.

Mr. Olguin recommended that the state, to promote a more diverse economy and improve its social conditions, continue to support the Local Economic Development Act (LEDA) program and support the efforts of regional economic development associations.

Questions and Discussion

Forest thinning; forest products industry. On the topics of forest thinning and the forest products industry: 1) Mr. Merrick clarified that the SCMEDA recommendation for a "transportation credit" consists of a reduction in the tax on diesel fuel used to haul logs from their source to manufacturing plants; 2) a member, specifying the amount of water a single mature tree can consume in a day, cited water conservation as another reason to actively thin forests; 3) a member spoke in favor of developing a strategy to expand the state's forest products industry; 4) Mr. Merrick gave an overview of the forest products industry's activity in the region, noting that the industry produces railroad ties, telephone poles, pellets, shavings, pallets, oilfield products and firewood, noting that the Mescalero Apache Tribe recently received a grant to study the feasibility of opening a sawmill and noting that the SCMEDA is committed to researching ways to expand the region's forest products industry; and 5) a member described the collaboration between the Pueblo of Jemez and a corporation for the start-up of a pellet mill in the pueblo and commented on the possibility that the process could be used as a model for other such endeavors in the state.

Economic assets of the middle Rio Grande region. Mr. Olguin named some of the industries in the middle Rio Grande: agribusiness; forestry; mining; arts; entertainment; recreation; renewable energy; the spaceport; and higher education. He described the New Mexico Institute of Mining and Technology as a strong asset in the region and praised its success in promoting the commercialization of its students' and faculty members' ideas and discoveries.

Approval of Minutes

The committee approved the minutes from the June 15, 2017 meeting without objection.

Tourism: State, Regional and Local Perspectives

Rebecca Latham, secretary of tourism; Gina Kelley, director of tourism, Village of Ruidoso; Jen Schroer, president and chief executive officer (CEO), New Mexico Hospitality Association (NMHA); and Timothy Roberts, regional manager, New Mexico Historic Sites, spoke about tourism in the state and in the Ruidoso area.

Tourism in New Mexico. Secretary Latham gave an update on tourism in the state as follows. Tourism levels continue to rise; the 34.4 million trips in the state in 2016 represent a level of growth that outpaces that of other states. The tourism industry works hard to maintain that growth, which helps fuel job creation. Much of this success is attributed to the New Mexico True campaign, which has been shown to attract people to the state not only for visits, but also for higher education and retirement. There is further evidence that the campaign has a 7:1 return on investment (ROI) and that more investment in that program would continue to yield high returns.

Despite recent budget cuts, the Tourism Department has managed to invest more than it did in the prior year in marketing and advertising, and it aims to continue making strides. The department is focusing on increasing the number of marketable overnight trips, since that type is most beneficial to the state. Through strategic resource allocation, it has added Austin, Texas, as a market. As outlined in its handout, the department also plans to continue expanding, and refining the implementation of, four programs in FY 2018: 1) Cooperative Marketing Grant Program advertising, which has been received well by the communities it serves; 2) Rural Pathways, which is helping small communities with capacity building; 3) New Mexico True Certified, which both benefits participating businesses and enriches the state's tourism and economic development; and 4) Keep New Mexico True, which will expand into schools and civic organizations this year.

Ruidoso tourism. Ms. Kelley gave an overview of tourism in the Ruidoso area and highlighted some of the tourism office's current activities as follows. Ruidoso has experienced three straight years of tourism growth. With the office having shifted its campaign away from print and toward digital media and with Ruidoso's recent trail infrastructure improvements, the average age of the area's visitors has gone down. The area's attractions include skiing, parks, a special event facility, a sports complex, softball fields, a convention center, hiking and bicycling trails, an arts and wine festival, mountain bike races, a cowboy symposium, the racetrack and weekly evening concerts. Many of these attributes help compensate for conditions that deter visitors, such as low snowfall, wildfires and floods.

Spurred by the high concentration of short-term rental properties in Ruidoso, the village enacted an ordinance in 2009 to regulate the properties. About 800 properties are registered under the ordinance, and for the majority of them, the GRT and lodgers' tax are paid on rental transactions. In contrast, with the emergence of short-term rental websites, those taxes are not paid on many other rental transactions occurring in the village. The village supports the enactment of state legislation to help bridge that gap in tax obligation.

Hospitality and tourism. Ms. Schroer thanked the legislature for its financial support for promoting tourism in the state and for passing two bills in the 2017 regular session that, if signed, would have improved parity between taxpaying and nontaxpaying short-term renters. She continued as follows, noting that municipalities and Realtors supported that legislation, and its proponents plan to again push for its enactment. The tourism industry and its workforce are showing record-breaking numbers, and the NMHA supports efforts by the state, potentially through its Job Training Incentive Program, to train workers in the hospitality field. The NMHA will soon begin a statewide tour to hear from participants about their challenges working in the industry.

Tourism in Lincoln County. Mr. Roberts gave an overview of the state historic sites in Lincoln County as follows. The Lincoln and Fort Stanton historic sites manage 309 acres of heritage land and focus on attracting tourism, engaging visitors and preserving the sites'

structures. In FY 2017, more than 60,000 people visited the sites and more than 2,000 students received educational programming related to the sites. The sites also host weekend events.

Mr. Roberts introduced Dr. Patrick Moore, director, New Mexico Historic Sites, who was in the audience.

Questions and Discussion

Tourism statistics. Secretary Latham explained how the department tracks tourism in the state: a contractor, Longwoods International, surveys a sample of Americans about their travel-related activities and perceptions; the results, as reported, are then extrapolated. She also clarified other aspects of the statistics presented, including that: 1) not all of the reported 34.4 million trips were overnight trips; 2) a day trip is defined as more than 50 miles traveled as part of a non-normal routine; and 3) the 7:1 ROI figure is based on returns at the tax-base, not "dollar-spend", level. Secretary Latham also agreed to find information on New Mexico's per capita tourism promotion spending and how it compares with that of other states.

Tourism Department budget. On the topic of the department's sources and uses of revenue, Secretary Latham stated that: 1) 75.8% of the department's FY 2017 General Fund appropriation was dedicated to tourism marketing and promotion; 2) the remaining portion of that revenue is used for administration; and 3) the department also receives revenue from the *New Mexico Magazine* Fund and the Litter Control and Beautification Fund. She agreed to provide a figure representing the percentage of all department revenue used for marketing and promotion.

Department programming. Secretary Latham elaborated on other aspects of the Tourism Department as follows: 1) the New Mexico True Certified Program developed out of an interest in helping in-state businesses market their products and in strengthening the New Mexico True campaign; 2) to participate in that program, a business applies through an industry-facing website, and a team works with the applicant to determine a suitable marketing strategy, which might include use of the New Mexico True mark on products; 3) the department has not received information suggesting that crime is deterring tourism, but it has discussed with the secretary of public safety the possibility of using the New Mexico True campaign to recruit public safety officers to work in the state; 4) the Cooperative Marketing Grant Program's 50% local match requirement can be met by using lodgers' tax revenue; 5) the department recommends that communities participating in that program seek out incremental advertising opportunities; and 6) the department employs a competitive process for selecting its advertising company, but its media buys are exempt from the Procurement Code.

Tourism Department mission. Secretary Latham expressed the view that, beyond promoting tourism, the Tourism Department can be instrumental in changing people's perceptions of New Mexico and can maximize resources for the state's greater good. Specifically, she said, the New Mexico True campaign can encourage investment in the state, attract teachers, doctors and top-tier talent to the state, create jobs, expand the tax base and

improve the state's economy. A member underscored the importance of the department's mission and acknowledged that it generates many benefits. Two members expressed the view that the department should remain a standalone agency.

Local economic development. Ms. Schroer indicated that the NMHA is in the process of developing a handbook on best practices for using lodgers' tax revenue. Secretary Latham added that the department has developed a tourism promotion toolkit that helps localities make the case through data evidence that marketing and advertising are worthwhile investments.

Fort Stanton structures. Mr. Roberts said that the Fort Stanton Historic Site: 1) is reviewing its structures' improvement needs, is developing a plan to address them and will pursue funding for making improvements; 2) was designated as a historic site recently, in 2007, and is still exploring its potential for generating revenue; and 3) hosts private events such as weddings.

Interns. When asked if the organizations represented by the panelists make use of summer interns: 1) Mr. Roberts responded affirmatively and said that the historic sites' interns come from a range of schools and fields; 2) Dr. Moore specified that the State Historic Sites and Monuments Division of the Cultural Affairs Department works with state schools to recruit interns and that it now has five graduate student interns working in interpretation; 3) Ms. Schroer responded that the NMHA has one intern; 4) Ms. Kelley responded that she is the only staff person at her office and, though she would like to host an intern, recruiting one would be overly burdensome; and 5) Secretary Latham responded that the Tourism Department uses all of its personnel budget for full-time employees.

Chambers of Commerce: Supporting Small Businesses

Ruidoso Valley economy. Becky Brooks, executive director, Ruidoso Valley Chamber of Commerce, commented on aspects of the region's economy as follows: 1) the new hospital will be an economic boon, as it will serve the area's many retirees; 2) ENMU-R and the Ruidoso MainStreet program are important assets; 3) increasingly, former residents return to the area to start businesses; and 4) the craft beverages industry has the capacity for growth. To encourage that growth, Ms. Brooks added, policymakers should: 1) not raise alcohol taxes; 2) make LEDA funding available for agritourism projects; 3) allow restaurant patrons to re-cork and take home purchased bottles of partially consumed wine; 4) allow breweries and pubs to begin serving alcohol at 11:00 a.m., as restaurants are allowed to do; and 5) allow breweries and wineries to serve alcohol at private parties.

Local economic development resources. Responding to comments made in the previous presentation, Mike Espiritu, president and CEO, Otero County Economic Development Council and Alamogordo Chamber of Commerce, named resources for local entities pursuing economic development: 1) the New Mexico Chamber Executives Association; 2) NM IDEA; and 3) the New Mexico Rural Economic Development Council.

New mission at Holloman Air Force Base (AFB). Mr. Espiritu then commented as follows on the United States Air Force's recent decision, following a competitive process, to relocate F-16 squadrons to Holloman AFB. The relocation will greatly improve the area's economy — through, in part, the relocation of military personnel; the creation of civilian jobs ranging from entry- to supervisory-level; and a substantial capital investment by the United States Air Force. It will also help offset the negative economic effects of the departure from Holloman AFB of the German Air Force. Many of the former base employees will be rehired for the new operation. Some prospective employees will require training to perform mechanical jobs, and a high school program granting college credit that will begin in the spring was developed to help answer that need.

Given that this is an interim relocation and that the United States Air Force will make a permanent base decision in a few years, efforts will be needed to keep the mission at the base. Policymakers can improve the likelihood of retention by supporting related legislation. Should the base become a permanent home for the mission, the state will see fewer of its young adults leave and will experience a host of other economic benefits. A group of interested persons assembled last year to strategically promote the selection of Holloman AFB, and the group welcomes new members.

Questions and Discussion

Regulatory issues. A member talked about the need for the state to remove barriers that impede job creation and retention, including those that surround liquor licensing, namely, the limited number of licenses and the prohibitive expense of buying one.

The Impact of Broadband on Economic Development

Vince Tyson, chief operating officer, Plateau, talked about his company and about broadband access in the region as follows.

Plateau. Plateau is a communications provider based in Clovis. It serves rural and urban communities and is regulated as a cooperative. At present, about one-half of Plateau's customers have broadband access through fiber-optic cable and the rest through DSL. Plateau uses its revenue from profitable areas to subsidize the cost of service to less-profitable rural areas. Plateau has a robust presence and builds a high volume of fiber in the state.

Broadband's relationship to economic development. Given that access to high-quality broadband is a prerequisite for most business relocation and that high-quality broadband access is increasingly important to the modern economy, Plateau plays an important role in economic development. The company is focused on expanding and improving its broadband service. To that end, Plateau is investing heavily in a 15-year project to extend fiber-optic cable to rural areas; the project's plan places highest priority on improvements to the infrastructure serving customers whose broadband access is slowest. The use of fiber-optic cable over other connection types is important in that fiber-optic cable best offers what residential and business customers want: reliability and speed. As people and key New Mexico industries become more dependent

on broadband — in contexts such as telehealth, agriculture, telecommuting and distance learning — developing fiber-optic networks will prove a valuable investment.

Mr. Tyson expressed appreciation for the measures policymakers have taken to help with broadband infrastructure development and said that Plateau is eager to work with policymakers to further improve broadband access in the state.

Questions and Discussion

Mr. Tyson elaborated on his presentation with the following statements concerning broadband: 1) Plateau has about 25,000 customers; 2) the cost of residential access varies by locality but is approximately \$40.00 per month; 3) Plateau relies on federal and state assistance to make affordable service available; 4) in rural areas, it costs Plateau approximately \$25,000 per mile to build infrastructure; 5) when the circumstance surrounding access to federal money for infrastructure changed, Plateau adjusted its approach for accessing that money; 6) when Plateau brought service to the Belen schools, it built in such a way that it could more easily bring service to neighboring businesses and residences; 7) with sufficient demand, Plateau could build more infrastructure in Belen or any other area of the state; 8) Plateau's costly investments in remote, low-financial-return areas exemplify the cooperative model, which is based on federal and state subsidies that allow it to take higher risks; 9) Plateau has no long-term debt and pays for investments with cash; and 10) the company chooses investments within its area based on where service speed is slowest.

Public Comment

Tasia Young, lobbyist, New Mexico Association of Counties, joined Linda M. Smrkovsky, Luna County Commissioner, District 2, who named three policy areas in which the legislature can support counties: 1) affordable high-speed broadband service; 2) capital outlay reform; and 3) rural community development through, among other measures, loosening regulation, improving access to liquor licenses and promoting renewable energy and solo work job creation.

Recess

The committee recessed at 3:50 p.m.

Thursday, July 27

The committee reconvened at 9:16 a.m. on Thursday, July 27, with Representative Rodella chairing the meeting.

Economic Development Initiatives of the Mescalero Apache Tribe

Duane Duffy, chief of staff, Mescalero Apache Tribe, discussed the entrepreneurial activities of the Mescalero Apache Tribe as follows. In addition to the Inn of the Mountain Gods Resort Casino, the tribe operates a ski area, a tribal store, a propane gas company, recreational areas and campgrounds, a cattle ranch and a telecommunications utility. Along with other

participants in the SCMEDA planning process, the tribe recently explored ways to increase regional tourism, improve high-speed internet access in the region and build partnerships. For its part, the tribe is near completion of an initiative to bring high-speed internet to all homes on the reservation. The tribe has plans to build new cabins for visitors, expand its telecommunications services into Ruidoso and transition to fiber-optic lines, develop a sawmill and identify uses for its small-diameter timber. Going forward, the tribe is eager to engage in dialogue and partner with its neighbors to improve the region's economy.

Questions and Discussion

Characteristics of the tribe; social services. Mr. Duffy provided detail on characteristics of the Mescalero Apache Tribe and some of the services it offers its members. The tribe: 1) consists of about 5,000 members, many of whom work for the tribe's tourism enterprises and government agencies; 2) offers plenty of employment opportunities to its members; 3) also employs nonmembers; and 4) recently contracted with a consulting firm to review and refine the tribe's wage structures.

The tribe aims to improve future generations' quality of life by breaking the cycle of poverty and abuse brought about by historical trauma. To that end, it offers its youth and adult members a range of behavioral health services, including treatment for drug and alcohol abuse, child abuse, anger issues and domestic violence. The tribe further operates programs in suicide prevention, equine therapy, early childhood development, speech therapy and mental health.

Ziplines. Mr. Duffy explained the origin of the tribe's decision to construct and operate its two ziplines and described the initiative as a success. A member commented on legislation that would have regulated zipline operation for improved safety, saying that the legislation was criticized for being too broad. Mr. Duffy enumerated some measures that the tribe employs to ensure zipline safety and proper emergency response: third-party inspection; rescue and medical training; and maintaining the ability to airlift an injured person. He stressed that safety is the tribe's top priority and that the tribe has a strong financial interest in preventing accidents.

Broadband. Mr. Duffy reported that, in the context of broadband, the tribe: 1) is exploring opportunities to partner with neighboring governments in expanding broadband in the region; 2) is exploring ways to leverage its resources through federal assistance for broadband development; and 3) has analyzed the costs of connecting all residences on the reservation to broadband. A member encouraged the tribe to pursue those partnerships and, through them, to develop a plan to finance and undertake broadband and other infrastructure projects that would promote regional economic development. Mr. Duffy responded that the tribe was eager to enter into such partnerships and pursue such projects.

Liquor law changes. Mr. Duffy said that the ski area has taken advantage of a recently enacted law that expands the area in which liquor may be consumed.

Hunting. Mr. Duffy discussed the tribe's hunting enterprises as follows: 1) the tribe offers opportunities to hunt elk, turkey, bear and mountain lion that roam on the reservation; 2) the enterprise attracts a lot of first-time-visit and return-visit hunters; 3) the tribe has discussed a plan to exchange animals for gene diversification and has worked toward increasing the water supply for animals, which would increase animal size; and 4) last year, the tribe and the Bureau of Indian Affairs estimated that there were 5,000 elk on the reservation.

Wild horses. Mr. Duffy remarked on a wild horse problem with which the tribe is contending. He said that the presence of the horses threatens the deer population and that the tribe is looking for a humane way to reduce the number of horses. A member mentioned a heavily lobbied-against bill that would have helped control the wild horse population in the state and made the point that failing to exercise that control compromises the health of other wildlife systems.

Businesses' relationship with the tribe. Mr. Duffy acknowledged that private companies considering entering into business ventures with the tribe are sometimes apprehensive about the tribe's status as a sovereign entity. He said that a system of checks and balances is in place to guard against the tribe's taking advantage of its status and reneging on a deal and that the tribe has made concerted efforts to promote dialogue and give assurances in such situations.

Tribal property near Alamogordo. Mr. Duffy said that the tribe is exploring ideas for managing the 80 acres of land it owns near Alamogordo, including harvesting timber and constructing a water amusement park, condominiums or retail buildings. A member suggested exploring using the timber to manufacture structural materials.

Report on the Work of the Jobs Council

Representative Rodella prefaced the presentation by noting the decision of the New Mexico Legislative Council to have the committee hear reports on the work of the Jobs Council, which was created in previous interims. Charles Lehman, principal, Community Economics Laboratory, and Mark Lautman, principal, Community Economics Laboratory, delivered that report as follows.

Mission, history and findings. The Jobs Council's goal was to help the state return to its pre-recession employment levels in a 10-year period by identifying job sectors and areas conducive to creating economic base jobs. To accomplish that, a group of legislative and public members and other regional representatives used a "wisdom of the crowds" approach to identify, by region, job creation opportunities and barriers. Only those determinations arrived at with unanimous agreement by the Jobs Council and local and regional groups were aggregated to a dashboard, which shows the number of economic base jobs, 151,000, that would need to be created to reach the Jobs Council's goal. Charts in the handout show the breakdown of that total by job sector or type and by geographic region.

For those regions in which it was determined that not enough jobs could be created to regain the lost employment, participants explored ideas for making the community more prosperous, i.e., growing the region's economy at a rate faster than its population growth.

The barriers to job creation named by participants included inadequate access to broadband; workforce issues; and effects of the "wage cliff", in which the amount of benefits from public assistance deters recipients from seeking employment.

Initiatives. In response to Jobs Council findings, legislators, contract staff and others undertook several initiatives related to barriers and opportunities in the areas of: broadband access; solo work; government-sponsored incentives; local planning for job creation and economic development; and science education.

Concerning broadband access, a Jobs Council-sponsored study on the subject is under way. It involves an analysis, by county and municipality, of broadband needs and recommendations for filling those needs. A formal report on the study to this or another committee is planned.

Solo work, which refers to jobs performed by people working alone or in a co-working space, was identified as an avenue for expanding job creation. Increasingly, those types of jobs qualify as economic base jobs. Recently, a council of governments in Grants, with help from the USDA, launched a solo work pilot program that targets chronically unemployed and impoverished populations. Other solo work-related initiatives are aimed at helping people start businesses that employ solo workers.

As part of their work for the Jobs Council, Mr. Lautman and others conducted research on the state's incentives for job creation and economic development and began developing a process to make local economic development planning more uniform. They compiled lists of the incentives and each one's status. That endeavor, along with efforts to establish the uniform economic development planning process, are ongoing.

Lastly, to help develop a workforce prepared to fill jobs in the growing technology sector, the Jobs Council supported the establishment of a middle school physics program in schools. The program introduces physics education at the middle school level, which has been shown to dramatically improve competence in math and science and increase interest in technical fields.

Responding to the Jobs Council's findings, several legislators sponsored legislation to facilitate job creation. Several of those initiatives addressed the lack of access to broadband, which was identified as a prominent barrier to job creation; others addressed LEDA funding and solo work. A law creating a solo work program was enacted, but the program was not initially funded. The program later received funding through an appropriation for the Job Training Incentive Program.

Reporting; future pursuits. The findings of the Jobs Council, as reported in materials handed out during the presentation, provide what is needed to develop a statewide job creation strategy and program. Policymakers and others interested in improving economic development in the state can use those tools in their conversations with other current and prospective officeholders.

Questions and Discussion

Middle school physics program. A member talked about having attended a program demonstrating parts of the middle school physics program and offered praise for its apparent success in exciting young learners. Another member echoed that enthusiasm. Mr. Lautman remarked that the program has shown impressive results in improving academic performance, particularly among low-performing students. Mr. Lautman also reported that the Public Education Department was resistant to the idea of paying for the program and recommended instead that private entities be asked to contribute toward its implementation. Mr. Lehman noted that he and Mr. Lautman were available to present to the Legislative Education Study Committee on the program, and Mr. Lautman agreed to send staff a one-page summary of the program that could be distributed to school districts.

Wage cliff. A member commented on the wage cliff issue, saying that it has existed for a long time, that overcoming it would require either federal action or substantial state appropriations and that efforts to tackle it at the state level have been met with resistance.

New Mexico's economy compared with that of other states. Asked what marks the differences between New Mexico and Arizona, two states that were relatively similar in the 1930s but that have wide disparities in population and economic strength today, Mr. Lehman said that some differences include the number of retirees and the proportion of public to private employers. A member noted that the question was considered in a recent *Albuquerque Journal* article, which concluded that the key difference lay in New Mexico's pursuit of government jobs and Arizona's pursuit of private industry.

Broadband study. A member remarked on the multiple efforts of different agencies and committees to gauge broadband infrastructure needs and develop related plans and asked whether the Jobs Council-sponsored broadband study considered that work and those plans. Mr. Lehman responded that, to an extent, it did; he then explained that the related technology, providers and funding streams have changed significantly since some of those plans were developed, so much of the information in them is obsolete.

Improving the state's economy. Asked what could be done to change the state's economy, Mr. Lautman said that \$5 million could be appropriated to design and implement a formal planning and accounting system at the state level. Mr. Lehman responded that: 1) more money could be designated for marketing the state; and 2) public and private entities could cooperate more to resolve enduring issues such as inadequate access to broadband.

Responding to a question about what the state can do to address its shortage of custom, mid-level manufacturing businesses, Mr. Lautman said that the state should begin by setting an explicit goal, then working to reach it. A member expressed the opinion that the government should not interfere with the market in such cases but should let entrepreneurs step in; the member gave the example of Intel Corporation, whose location to New Mexico spurred the creation of a host of small businesses with services catering to Intel's needs.

Future economies. A member asked Mr. Lautman for his thoughts on the "second machine age", a concept envisioning exponential technological advancements made in the next five to 20 years. He remarked that those advancements will bring with them issues surrounding income and taxation and that planners should not make long-term economic development decisions without first considering their potential effects.

Jobs Council work; future of the council. On the subject of the Jobs Council's work, Mr. Lautman clarified that the council's reports reflect potential job creation numbers based on participants' guesses, subsequent refinement and whole-group consensus. Mr. Lehman reported that, since the Jobs Council's creation, 40,000 jobs — not all economic base — have been created in the state. When asked whether the council considered regulatory barriers, such as those affecting the mining industry, Mr. Lautman responded that it did.

Several members expressed an interest in seeing the work of the Jobs Council put to use, and they inquired into the council's status. Senator Papan, co-chair of the New Mexico Legislative Council, agreed that the Jobs Council's work was worthwhile but clarified that the New Mexico Legislative Council did not re-create it because of budget limitations. Mr. Lautman pointed out several failings in implementation of the Jobs Council's work, including the lack of local planning necessary to develop a complete plan for the work to continue, and he noted that what is needed now is not legislative action. Mr. Lehman, however, said that there were still ways for the Jobs Council to move forward, namely in the areas of attracting retirees, soft skills development and a solo worker program. Concerning whether to continue the Jobs Council, a member made the following remarks: 1) it takes a long time for such a pursuit to reach fruition; 2) the information and recommendations gathered by the council are valuable and can still be put to use; 3) progress in this area will likely be seen on the local level, and the state should support local-level job creation efforts; and 4) many entities in the state are already working on separate job creation pursuits, and their work should be incorporated into the work of others with the same fundamental goal. A member requested that the working groups listed on page 11 of the handout be requested to report to the committee on their work.

Public Comment

Andrea Fernandez, a resident of Lincoln County, appealed to the committee to propose and pass legislative measures that promote access to a full spectrum of health care services. Extending state-sponsored incentives and programs to support what were formerly considered "alternative" health services would help boost economic development in the state, she argued.

Adjournment

There being no further business before the committee, the committee adjourned at 1:05 p.m.

Revised: August 28, 2017

**TENTATIVE AGENDA
for the
THIRD MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**August 31-September 1, 2017
Cimarron High School
165 N. Collison Avenue
Cimarron**

Thursday, August 31

- 9:00 a.m. **Call to Order and Introductions**
—Senator Benny Shendo, Jr., Chair
- 9:15 a.m. (1) **Welcome**
—Matthew Gonzales, Village Administrator, Village of Cimarron
- 9:30 a.m. (2) **Tourism and Ranching: Economic Development in Cimarron**
—Mark Anderson, Director of Program, High Adventure Department,
 Philmont Scout Ranch and Training Center
- 10:00 a.m. (3) **Supporting In-State Industries with Government Procurement**
—Tim Keller, State Auditor, Office of the State Auditor
—Sarita Nair, Chief Government Accountability Officer and General
 Counsel, Office of the State Auditor
- 11:00 a.m. (4) **Deploying Broadband in Rural New Mexico**
—Paul Briesch, Jr., Vice President, Baca Valley Telephone Company
- 11:45 a.m. (5) **Colfax County Aquifer Mapping and Its Importance to Economic
Development**
—Bill Sauble, Chair, Colfax County Commission
—Kate Zeigler, Ph.D., Zeigler Geologic Consulting
- 12:30 p.m. **Approval of Minutes**
- 12:35 p.m. **Lunch**

1:30 p.m. (6) [Health Care Development in Colfax County](#)
—Kaycee Sandoval, Business Operations Manager, South Central Colfax
County Special Hospital District
—Nate Lay, Chief of Medical Services, Philmont Scout Ranch and Training
Center

2:30 p.m. (7) [Rural Health Care Access and Health Care As a Job Recruitment Tool](#)
—Jason Espinoza, President and Chief Executive Officer (CEO), New
Mexico Association of Commerce and Industry
—Jeff Dye, President and CEO, New Mexico Hospital Association
—Dan Weeks, Policy and Government Relations, New Mexico Hospital
Association
—Mike Wallace, Director of Special Projects, DaVita Medical Group

3:30 p.m. (8) [Health Insurance and Provider Access in Rural Markets](#)
—Paige Duhamel, Esq., Health Care Policy Manager, Office of
Superintendent of Insurance

4:30 p.m. **Public Comment**

4:45 p.m. **Recess**

Friday, September 1

9:00 a.m. **Reconvene — Introductions**
—Senator Benny Shendo, Jr., Chair

9:05 a.m. (9) [Transforming New Mexico's Energy Future](#)
—TBD, Public Service Company of New Mexico

10:00 a.m. (10) [Opportunities and Barriers: Developing Wind Infrastructure](#)
—Sarah Cottrell Propst, Executive Director, Interwest Energy Alliance
—Keith Sparks, Director of Development, Clean Line Energy
—Jill Felice, Landowner, Village of Corona (invited)
—Bernarr Treat, Manager for State Government Affairs, Xcel Energy
—Mike McLeod, Community Relations Manager, Xcel Energy

11:15 a.m. (11) [Moving New Mexico Toward 100% Clean Renewable Energy](#)
—Tom Solomon, Co-Coordinator, 350 New Mexico

12:00 noon **Public Comment**

12:15 p.m. **Adjourn**

MINUTES
of the
THIRD MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

August 31-September 1, 2017
Cimarron High School
165 N. Collison Avenue
Cimarron

The third meeting of the Economic and Rural Development Committee was called to order by Senator Benny Shendo, Jr., chair, on August 31, 2017 at 9:15 a.m. at Cimarron High School in Cimarron.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Debbie A. Rodella, Vice Chair (9/1)
Rep. Rebecca Dow
Sen. Ron Griggs
Rep. Rick Little (8/31)
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez (8/31)
Rep. Matthew McQueen
Rep. Jane E. Powdrell-Culbert (8/31)
Rep. Nathan P. Small
Rep. Candie G. Sweetser

Advisory Members

Rep. Eliseo Lee Alcon
Rep. Kelly K. Fajardo (8/31)
Rep. Joanne J. Ferrary (8/31)
Rep. Bealquin Bill Gomez
Sen. Elizabeth "Liz" Stefanics (9/1)
Sen. Bill Tallman

Absent

Sen. Jacob R. Candelaria
Rep. Tim D. Lewis
Sen. Michael Padilla
Sen. John Pinto
Sen. Pat Woods

Rep. Gail Armstrong
Rep. Alonzo Baldonado
Sen. Craig W. Brandt
Sen. William F. Burt
Rep. George Dodge, Jr.
Rep. David M. Gallegos
Rep. Yvette Herrell
Rep. D. Wonda Johnson
Sen. Carroll H. Leavell
Rep. Sarah Maestas Barnes
Rep. Rod Montoya
Sen. Mark Moores
Sen. Mary Kay Papen
Rep. William "Bill" R. Rehm
Rep. Patricia Roybal Caballero
Rep. Angelica Rubio

Rep. Patricio Ruiloba
Rep. Nick L. Salazar
Sen. William E. Sharer
Sen. James E. Smith
Rep. Linda M. Trujillo
Rep. Bob Wooley
Rep. Monica Youngblood

(Attendance dates are noted for members not present for the entire meeting.)

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, August 31

Call to Order — Introductions

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

Welcome

Matthew Gonzales, immediate past village administrator and current Cimarron Municipal School District (CMSD) board member, welcomed the committee to Cimarron. He explained that there have been some recent changes in village administration; that the village had been behind on its audits but is now current; that there are some new staff; and that he expects that progress will continue. He introduced Adan Estrada, superintendent, CMSD, and Tammy Dunn, director, Moreno Valley High School in Angel Fire.

Mr. Estrada welcomed the committee to Cimarron High School and provided some information about the CMSD: the school district serves 477 students in a district spanning 1,400 square miles, with schools in Cimarron, Eagle Nest and Angel Fire; and some students ride a bus for as long as one and one-half hours each way.

Three years ago, the CMSD received \$350,000 in emergency supplemental funding to keep the doors open, Mr. Estrada said, but by ensuring accuracy in student reporting, prioritizing the budget based on student needs and cutting costs that did not support student achievement, the

district was able to regain local control in one year and sustain the CMSD with only the funding provided through the state equalization distribution formula since then. Above-the-line funding has allowed the CMSD to recruit and retain staff, including a school social worker and an interventionist, hire additional classroom teachers and provide early interventions for students in the pre-kindergarten program. The CMSD has also taken over providing bus services, thus saving money on the bus contract with Durham Bus Services, a company based in Los Angeles, and providing jobs for eight bus drivers and a mechanic.

The CMSD developed a facilities master plan in 2013 that identified existing resources and needs, and a \$7 million bond was passed in 2015 to implement the plan.

Over the years, Mr. Estrada said, the CMSD has implemented a number of innovative education initiatives, such as, since 1974, following an 8:00 a.m. to 4:00 p.m. four-day-a-week schedule to reduce commute time and allow students time to participate in extracurricular activities in other parts of the state without losing academic instruction time. The CMSD has also developed a wide variety of extracurricular programs. Mr. Estrada also noted that, that morning, Secretary-Designate of Public Education Christopher Ruskowski and the "Straight A Express" arrived at Eagle Nest Elementary Middle School to congratulate Jody Martinez, the lead teacher and acting principal, for being selected to the Secretary's Teacher Advisory Committee. The Straight A Express also recognized the elementary school for its third school report card grade of "A" and the middle school for earning a school report card grade of "B", jumping two letter grades from previous years. Mr. Estrada observed that although small schools are often criticized because they are expensive to run, resulting in efforts to consolidate districts and cut programs when budgets get tight, students in smaller schools often require fewer interventions to help them graduate from high school ready for college and careers.

Ms. Dunn agreed that small schools in rural areas often are better for students than many larger districts, and she ascribed some of that result to strong community support, noting that Angel Fire has never rejected a school bond.

Questions, comments and discussion from committee members included:

- school rating criteria;
- implementation of the four-day-week school schedule;
- challenges faced by small rural schools, including challenges recruiting teachers due to a general shortage of teachers, low teacher pay and the difficulty of finding housing; declining enrollment due to declining community population; and a lack of funding for facilities;
- the connection between extracurricular student activities and community enhancement; and
- funding for teachers to engage in school-related trips and excursions on holidays and weekends.

Tourism and Ranching: Economic Development in Cimarron

Mark Anderson, director of program, High Adventure Department, Philmont Scout Ranch and Training Center (Philmont), referred to his handout and provided a history and overview of Philmont and the various programs offered. Philmont has a substantial economic impact on the Cimarron area, hosting more than 80 conferences every summer, which results in about 400 Boy Scouts and their families arriving or leaving daily throughout the season. After June 17, when the summer program is in full swing, an average of 6,000 people are camped out across 250,000 acres every day. Philmont hosted 21,000 participants in the summer of 2016, with over 8,000 scouts and family members arriving by Amtrak in Raton. Mr. Anderson discussed the conservation work that is required of the Boy Scouts while they are at the ranch, highlighting the ranch's sustainable forestry projects, in addition to the ranch functioning as a working cattle ranch and as a site for extensive horse-riding training. Mr. Anderson also said that the ranch is preparing for the National Scouting Museum to be relocated to the ranch in the near future.

Questions, comments and discussion from committee members included:

- the impact that the discontinuation of Amtrak at Raton would have on the community;
- the ranch's conservation model and history of its pure bison herd; and
- the tax status of the ranch.

Supporting In-State Industries with Government Procurement

Tim Keller, state auditor, and Sarita Nair, chief government accountability officer and general counsel, Office of the State Auditor (OSA), presented the OSA's "Report on State and Local Government Contracting, FY15 and FY16, August 2017". Auditor Keller said that the central question is, "How much of state contract money goes out of state?". In fiscal year (FY) 2015 and FY 2016, state and local governments reported over \$6.5 billion in contracts for goods and services. State agencies made up 52 percent of the contracts, schools held 13 percent, municipalities held 12 percent and regional education cooperatives, higher education and hospitals and hospital districts held the remainder of the contracts. The OSA found that, overall, state and local governments spent 68 percent of contract dollars with companies located within the state, but when construction, architecture and engineering, and insurance and benefits contracts were removed from the total contracts, the in-state contract percentage dropped to 49 percent. The majority of contract procurements statewide were competitive and resulted in 71 percent of contract dollars going to in-state vendors; however, only 10 percent of emergency procurements went to in-state vendors. Emergency or sole-source procurements may allow major contracts to go out of state, Auditor Keller said, because no notice is required so local companies do not know about the contract and therefore cannot bid on it.

Changing the procurement system to encourage local buying would have a huge impact on local businesses for no more money because it would be cheaper and easier to buy locally than to subsidize out-of-state businesses, Auditor Keller noted. The report includes, on page 17, a number of best practices and pilot programs occurring across the state and the nation. In

particular, the OSA recommends the following actions to improve the retention of contract money in New Mexico:

- agencies should establish institution-wide local purchasing goals and identify in-state and out-of-state purchases;
- reliance on emergency and sole-source procurements should be reduced; and
- minimum numbers of local employees or graduates of local educational institutions should be established to be used on projects in New Mexico.

On questioning, emergency and sole-source procurements were discussed. An unintended long-term effect of an emergency or sole-source procurement may be that the vendor becomes the permanent provider of the product. For example, information technology systems installed on an emergency or sole-source basis are often incompatible with systems offered by other vendors for the same purpose, and once installed, are prohibitively expensive in both money and workflow disruption. Another issue is that sometimes agency personnel responsible for procurement misunderstand the requirements for emergency or sole-source procurement, and because there is inconsistent or inadequate oversight of the procurement processes, improper procurements are completed. The OSA does not have oversight authority, Auditor Keller said, and may "test" but not audit procurements. One reason that agencies may avoid the competitive process is that it is time-consuming — it takes an average of six months to complete. While emergency procurement was enacted to allow exceptions to the procurement process for true emergencies, often agencies are using emergency procurement due to a failure to plan for future procurement needs. Streamlining the competitive process would give agencies an incentive to use the competitive process.

Additional questions, comments and discussion from committee members included:

- loopholes and carve-outs in the Procurement Code;
- the effect of agency training and staffing levels on the use of sole-source and emergency procurement;
- preferences for New Mexico businesses and small businesses;
- implementation of a contractor database to provide notification regarding upcoming contracts; and
- including an analysis of agency procurement in agency budget adjustment requests.

Approval of Minutes

The committee approved the minutes from the July 26-27, 2017 meeting without objection.

Deploying Broadband in Rural New Mexico

Paul Briesch, vice president and general manager, Baca Valley Telephone Company, Inc. (BVTC), and its subsidiary, Sierra Communications, Inc., referring to his handout, summarized the companies' current status and history. The BVTC currently serves 525 customers across

approximately 2,600 square miles in Union and Colfax counties with fiber optic cable. The company has 31 employees with an annual payroll of nearly \$1.4 million. In addition to local telephone and cellular service and internet access, the companies operate a 24/7 Network Operations Center to respond to customer service calls. Sierra Communications provides de-regulated services, including security systems and fiber cable for schools in Raton and Cimarron. Obstacles the companies face in expanding broadband access include financing; construction costs; the ability to obtain right-of-way permits from multiple federal, state and private landowners in the service area; the cost of obtaining environmental and archaeological surveys; and weather. Continued access to the New Mexico Universal Service Fund, a multi-million-dollar fund created pursuant to the provisions of the Rural Telecommunications Act of New Mexico, is critical to the ability of the companies to improve and expand services.

Questions, comments and discussion from committee members included:

- federal standards for broadband speeds;
- construction costs; and
- access to the internet in community centers and offices.

Colfax County Aquifer Mapping and Its Importance to Economic Development

Bill Sauble, chair, Colfax County Commission, introduced Kate Ziegler, Ph.D., Zeigler Geologic Consulting, and Boe Lopez, mayor pro tem of the Town of Springer and chair of the Colfax Soil and Water Conservation District. Referring to his handout, Mr. Sauble explained that future economic development depends on a sustainable source of water. In 2016, Senate Bill 64 and House Bill 254, which would have provided a General Fund appropriation to conduct a hydrogeological study of and map the ground water aquifers underlying Colfax, Harding, Mora and Union counties to determine ground water capacity for future planning, were introduced but did not pass. The project would have measured static water levels in existing wells and gathered geologic information, water chemistry and water age data to allow producers and communities to identify resources for future development and to identify those areas that should not see further development. The legislation will be re-introduced in 2018, and Mr. Sauble requested that legislators support it.

Dr. Ziegler, referring to her handout, described the Northeastern New Mexico Four County Groundwater Initiative, a regional ground water monitoring study begun in 2015 to determine ground water resources for Union, Colfax, Mora and Harding counties. She noted that southern Quay County has developed a similar project. The study brings together data from multiple smaller-scale projects to understand the larger regional ground water picture. Financial support for the projects has come from the soil and water conservation districts in several counties, the Soil and Water Conservation Commission, individual counties, ranches and farms, El Llano Estacado Resource Conservation and Development Council and the High Plains Grasslands Alliance. She added that the majority of wells in Mora County are not recharging; the survey will determine whether that is also the case in Colfax, Harding and Union counties.

A motion was made, seconded and duly passed that the state engineer be requested to provide all relevant information from the four counties to the ground water mapping project.

On questioning, Mr. Sauble affirmed that the Village of Maxwell in Colfax County received an appropriation to drill a deep well to augment its water supply, which is currently entirely surface water. A study to determine the best location for the well needs to be performed, Mr. Sauble said, and drilling is expected to occur in spring 2018. Dr. Ziegler explained that the geology in the region is complicated and deep wells take a long time to recharge.

Health Care Development in Colfax County

Kaycee Sandoval, business operations manager, South Central Colfax County Special Hospital District (SCCCSHD), referring to her handout, informed the committee that the SCCCSHD was formed in 1986 with the help of Presbyterian Healthcare Services of Albuquerque to expand health care services in the south-central region of Colfax County. The SCCCSHD is now a self-managed organization with no management affiliation. It covers 2,800 square miles with a population of 3,200 and includes the Maxwell, Springer and Cimarron school districts. The SCCCSHD offers health care services through the Colfax General Long Term Care facility in Springer, the Colfax General Laboratory in Springer, the Moreno Valley Healthcare Clinic in Angel Fire and the Cimarron Healthcare Clinic. The majority of residents of these communities receive health care through these facilities, with referrals to specialists in Santa Fe and Albuquerque.

Nate Lay, chief of medical services, Philmont, described the activities of the all-volunteer, 24/7 Cimarron Community Ambulance service. He said that the ambulance service answered 210 calls in 2016, with an average time per volunteer per call time of three hours. One-third of calls came from Cimarron, one-third from Philmont and one-third from other areas. The ambulance service was founded in 1979 by volunteers who raised funds to build the first ambulance barn; over the next several years, they built additional bays and a classroom. The existing ambulance barns are not large enough for modern ambulances and have other structural problems, including water damage from leaks and flooding, gas leaks, wind damage and limited storage space.

Eric Martinez, president, Eric Martinez Government Relations LLC, explained that the SCCCSHD is seeking funding of \$1,350,000 to construct and furnish a Cimarron Healthcare Clinic ambulance facility on approximately five acres of land donated for the purpose in 2015 by the Colfax Healthcare Foundation, a 501(c)(3) organization formed to promote public health in rural Colfax County and to raise funds and awareness to improve public facilities operated by the SCCCSHD. The proposed facility will offer expanded health care services and adequate ambulance storage facilities. The proposed facility has a mix of funding sources, including a one-mill levy, but needs a grant from the state to bring the project to completion.

On questioning by the committee, Mr. Lay said that usually the ambulance transports patients to the Miners' Colfax Medical Center in Raton, but sometimes it transports patients to

other hospitals, depending on the patient's needs. Ms. Sandoval stated that the health care facilities do not use the University of New Mexico Hospital telemedicine program, but the ambulance service does.

Rural Health Care Access and Health Care As a Job Recruitment Tool

Mike Wallace, director of special projects, DaVita Medical Group (DaVita), referring to his handout, said that DaVita operates in eight states, employs 1,923 physicians, contracts with 13,309 physicians and specialists and has 200 affiliated hospitals to serve 1.8 million patients. DaVita is the only New Mexico-based "accountable care organization". It uses a "value-based arrangement", in which the health care provider receives a per-member-per-month flat payment from DaVita to provide care for a designated population; if the provider's costs are greater than the amount of the payment, the provider loses money, and if the provider's costs are lower than the amount of the payment, the provider comes out ahead. DaVita also sets savings and quality standards, and if the provider meets the standards, the savings are split between the provider and DaVita. The higher number of Medicaid patients in New Mexico than nationwide, 43 percent versus 23 percent, has a direct impact on the administrative allocation and physician compensation. The low rates of Medicaid reimbursement coupled with the higher number of Medicaid patients make it difficult for DaVita to recruit physicians to its networks.

Jeff Dye, president and chief executive officer, New Mexico Hospital Association, referring to a handout, said that hospitals statewide have an \$8.8 billion economic impact and employ 69,000 people in full-time, part-time and secondary jobs. Hospital jobs are high-quality jobs, and New Mexico hospitals added 1,000 jobs in 2015-2016. Adequate Medicaid funding is essential for hospitals to remain open.

Dan Weaks, policy and government relations representative, New Mexico Hospital Association, referring to his handout, presented selected tables regarding the health care workforce gap analysis compiled from the 2016 New Mexico Healthcare Workforce Committee Report. Referring to the last page of his handout, "Observations and Suggestions", he stressed the importance of continued funding for Medicaid and the health care sector's role as an economic driver and robust job creator. He commented that health care jobs are good jobs; hospital jobs, for example, pay on average one-third higher than the state average wage, plus benefits. Mr. Weaks urged the legislature to direct greater focus on the health care industry by studying the needs of rural and frontier communities, promoting the health care professions early in the academic process, conducting a more comprehensive and integrated study to determine the effectiveness of health care workforce training and education and identifying areas for improvement. In addition, he recommended extending the rural health care practitioner income tax credit to advanced practice professionals and behavioral health care providers and initiating programs for housing stipends as well.

On questioning, Mr. Dye said that New Mexico should pass legislation to join the enhanced Nurse Licensure Compact; he said that if New Mexico makes it hard for experienced nurses to move here, they will not.

A motion was made, seconded and duly passed to send a letter from the committee to the Legislative Finance Committee, with a carbon copy to the licensing boards, requesting an analysis of the turnaround time for licensure. Another motion was made, seconded and duly passed to send a letter from the committee to the Department of Health, requesting that the Department of Health, in coordination with the Board of Nursing, study the impact of the nursing compact on New Mexico, the dependency of the state on the compact and the importance of renewal.

Health Insurance and Provider Access in Rural Markets

Paige Duhamel, Esq., health care policy manager, Office of Superintendent of Insurance (OSI), referring to her handout, explained that the OSI's Health Policy and Consumer Education Bureau, which is funded with a federal grant that expires in October 2018, engages in data-driven policymaking in response to an ever-changing health insurance market. New Mexico, unlike many other states, requires health insurance carriers offering major medical coverage to have at least one plan that is offered throughout the entire state. As a result, New Mexico is one of the very few states with a sizeable rural population to have more than one health insurance carrier offering coverage.

The OSI is currently considering changes to provider network adequacy rules that will address geographic accessibility, length of time to wait to see an in-network provider, which providers are essential to a community network and the information providers are required to include in directories.

The biggest consumer complaint the OSI is hearing now is surprise billing for out-of-network emergency care and out-of-network care obtained unknowingly at in-network facilities. House Bill 313 (2017 regular session) addressed the issue, but the bill did not pass. Stakeholders, including insurance carriers, providers, consumer advocates, agents and brokers, and policymakers are continuing to work on a bill to address surprise billing concerns.

Another issue raised during the 2017 legislative session, air ambulance reimbursements, was addressed in House Bill 402, and it also did not pass. Air ambulances have become a more frequently used mode of transportation for individuals needing medical care. Often, air ambulance patients are then billed for the full cost of the flight or for the balance left after a partial payment is made by the patient's insurer, a practice known as "balance billing". A patient's insurance does not cover the cost of an air ambulance when the ambulance provider does not have a contract with the patient's health care plan, Ms. Duhamel said. North Dakota passed legislation in 2017 to address the problem, and it was sued by an air ambulance company, alleging that the state law was an unlawful attempt to usurp federal authority to regulate air travel; the case is pending. On the federal level, an amendment has been introduced to the Federal Aviation Administration Reauthorization Act of 2017 to require a stakeholder committee to examine health care charges of air ambulance providers and recommend consumer protections from air ambulance billing. The federal Government Accountability Office will soon release a report about the air ambulance industry.

On questioning, Ms. Duhamel confirmed that the best way for the legislature to support the work of the Health Policy and Consumer Education Bureau is to fund it with state money, since the federal grant expires in October 2018 and there are no other current sources of funding. She noted that the OSI lost 37 positions in the last round of budget cuts.

Public Comment

Paul Jenkins, president, Greater Raton Economic Development Corporation, commented on three issues:

- support for the Four County Groundwater Initiative water study;
- low state hiring rates for nurses because New Mexico has not joined the enhanced Nurse Licensure Compact; and
- the need for behavioral health services in northeastern New Mexico; he said that there are no behavioral health services available in the region for court-mandated treatment, and he proposed a regional behavioral health institute, possibly through Miners' Colfax Medical Center.

Julia Stafford, a rancher in the Cimarron area, commented on the loss of value-added agricultural opportunities in New Mexico, specifically the loss of meat processing plants. She said that there used to be several options for New Mexico beef growers to have their products processed for sale, but now New Mexico beef goes out of state for processing.

A motion was made, seconded and duly passed for the committee to write a letter to the United States Department of Agriculture and the New Mexico Livestock Board requesting information about the closure of beef and sheep, but not horse, processing facilities in New Mexico and asking what steps are necessary to revive them.

Jim MacGillivray addressed the committee on the importance of the legislature supporting and funding the MainStreet program. He noted that Eagle Nest, Springer and Wagon Mound have benefited from MainStreet and that Cimarron would like support on becoming a MainStreet Frontier community.

Recess

The committee recessed at 4:32 p.m.

Friday, September 1

Reconvene — Introductions

Senator Shendo reconvened the meeting at 9:15 a.m.

Transforming New Mexico's Energy Future

Matthew Jaramillo, government affairs, Public Service Company of New Mexico (PNM), observed that the transition from using fossil fuels to using sustainable clean energy is causing

growing pains, but it is worth the effort in the long term. The worst of these growing pains for PNM in New Mexico has to do with closing the San Juan Generating Station (SJGS) coal-fired plant. In accordance with regulations issued by the Public Regulation Commission for electric utilities, every three years, PNM is required to prepare an integrated resource plan (IRP) to identify the most cost-effective resource mix that would meet the projected electricity demands of PNM's customers over the next 20 years. PNM is also required to develop a four-year action plan that is consistent with that resource mix.

In July 2017, PNM published an IRP for the period 2017 through 2036, examining all cost-effective resource options for its energy portfolio under a wide variety of possible futures. PNM proposes a future energy resource portfolio that would eliminate the company's use of coal-fired generation by the end of 2031: the remaining functional units of the SJGS would be shut down after the current coal supply agreement runs out in 2022, and the company would exit its 13 percent share in the Four Corners Power Plant in 2031, when its coal supply agreement runs out. This will result in no coal in PNM's energy supply mix.

The benefits of PNM eliminating the use of coal are a cleaner environment, a significant reduction in carbon emissions, lower costs and more energy options for customers over the long run because eliminating coal fits better with future energy needs. To preserve the environmental benefits from eliminating coal generation and ensure that it can still meet the needs of its customers, PNM is also planning to build more solar power and new, flexible natural gas generation capacity. The company also generates power from wind and geothermal sources. The downside of this plan is job loss, and these well-paying positions will not be easily replaced. In addition, it would likely increase customer electricity costs in the short term.

Carlos Lucero, state and federal government affairs, PNM, noted that PNM turned 100 years old in May 2017. It serves 510,000 customers in communities across the state. It is the state's largest investor-owned energy provider and the state's largest electricity provider. In addition to providing electricity, PNM Resources Foundation contributes more than \$3 million per year to nonprofit community organizations to sustain work within communities the company serves. Mr. Lucero provided a handout listing New Century of Service grant recipients.

On questioning, Mr. Lucero added that PNM also provides support for residential energy efficiency programs to New Mexico Mortgage Finance Authority applicants. Mr. Jaramillo explained that, consistent with what PNM did to address the economic impact of retiring SJGS Units 2 and 3, PNM will explore opportunities to address the economic impacts in affected communities by supporting workforce retraining and local economic development programs. Mr. Jaramillo noted that the existing transmission distribution system does not have sufficient capacity to accommodate much additional energy generated from sources such as solar and wind on private property; to increase capacity, the transmission system needs to be upgraded and more technology needs to be integrated into the system. Mr. Lucero stated that the Public Regulation Commission sets the renewable portfolio standards for electric utilities and has set the immediate goal at 15 percent now and 20 percent by 2020, with a complete coal shutdown by 2022. A

member commented that Texas has invested \$20 billion in its energy transmission structure and is now a huge provider of wind-generated electricity. Several members emphasized the need to plan for retraining people who will be affected by the transition from coal to renewable resources. Mr. Lucero said that PNM's current investment in renewable energy is 150 million watts of universal solar, at a cost of \$220 million. PNM has also invested in wind farms. He added that expanding and improving the infrastructure will cost hundreds of millions of dollars. At present, there is only one large transmission line in the eastern part of the state to carry out the increasing amount of wind-generated power.

Opportunities and Barriers: Developing Wind Infrastructure

Sarah Cottrell Propst, executive director, Interwest Energy Alliance, referring to her handout, explained that the Interwest Energy Alliance is a nonprofit trade association that brings the renewable energy industry together with environmental advocacy to make Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming leaders in the use of reliable, cost-effective and diverse renewable energy resources. She noted that wind-generated power has grown from approximately 9,000 megawatts (MWs) in 2005 to almost 84,500 MWs to date in 2017. Currently, Texas generates the most wind power, but other states, including New Mexico, are constructing substantial additional capacity. New Mexico is one of the 29 states plus Washington D.C. and three territories that has a Renewable Portfolio Standard (RPS), Ms. Propst said. New Mexico's RPS was one of the earliest, but it has not been updated in 10 years and now lags behind other states. She observed that renewable energy is cost-effective because, unlike other fuel sources, fuel costs do not fluctuate over time, so the largest costs are the up-front capacity construction costs. She emphasized that companies increasingly want renewable energy options when they look at where to locate their operations, as Facebook did when it located a data center in New Mexico, and she suggested that an updated RPS can make New Mexico more attractive in that regard.

Keith Sparks, director of development, Clean Line Energy (CLE), informed the committee that CLE is developing new renewable energy infrastructure projects that will connect solar and wind resources in New Mexico to communities and cities that lack access to low-cost renewable power. Mr. Sparks discussed CLE's Centennial West project, which will deliver energy from Union County to major markets in the west. The project includes the Western Spirit Clean Line transmission line and the Mesa Canyons Wind Farm — a 1,000-MW wind farm in Corona, from which there will be opportunities for local companies to access power. More than 200 permanent jobs will be created from the Western Spirit Clean Line and the Mesa Canyons Wind Farm. Over the next 10 years, the value brought to New Mexico from CLE's projects is estimated at over \$10 billion.

Bernarr Treat, manager, state government affairs, Xcel Energy, referring to his handout, explained that Xcel Energy is a utility holding company based in Minneapolis, Minnesota, serving more than 3.3 million electric customers and 1.8 million natural gas customers in Minnesota, Michigan, Wisconsin, North Dakota, South Dakota, Colorado, Texas and New Mexico. Southwestern Public Service Company is one of four companies in Xcel Energy, and it

operates on the east side of New Mexico in Quay, Curry, Roosevelt, Chaves, Lea and Eddy counties and in several counties in Texas. In 2016, Xcel's energy mix was 39 percent coal, 38 percent natural gas, 22 percent wind and one percent solar. The company is planning to offset some of the natural gas generation by adding 1,000 MWs of wind power in 2019 and 2020, 522 MWs of which will be generated by the Sagamore Wind Project in Roosevelt County. The Sagamore Wind Project will provide more than 300 construction jobs from the second or third quarter of 2019 through the expected completion in the third quarter of 2020; and from 20 to 25 full-time operations jobs after that.

On questioning, Ms. Propst said that there are no New Mexico members of the Interwest Energy Alliance yet. PNM is considering membership and Xcel is already a member of the Southwest Power Pool. Ms. Propst said that changing the RPS targets would require legislative action, and the Public Regulation Commission would implement the statute. There was a consensus among the committee that an economic analysis of the effects of any changes to the RPS should be performed before any legislation is enacted. Mike McLeod, community relations manager, Xcel Energy, said that RPS targets depend in part on power consumption in a particular area. Mr. Sparks gave as an example that California's peak load time has been shifting from afternoons to evenings, likely as a result of increased use of home electronics in the evenings after work. He stated that solar and wind generation are complementary in this case because, usually, the wind picks up when the sun goes down.

Mr. Sparks said that a critical regulatory issue is that Public Regulation Commission staff are overburdened and underfunded. Mr. McLeod concurred that New Mexico does not have enough staff to process applications and permits fast enough. Mr. Sparks explained that the reason Texas is so far ahead of other states in generating power and revenue from renewable sources is that it recognized the opportunity and moved quickly to take advantage of it, building its own state-owned power grid to avoid federal regulation by the Federal Energy Regulatory Commission and to ensure that all electricity generated in Texas stays in Texas. New Mexico cannot use all of the electricity that could be generated by solar and wind sources in New Mexico, so it needs sufficient transmission capacity to move it to out-of-state buyers. Mr. McLeod asserted that the effect of the tax credit for building renewable capacity is to cut the cost of generation substantially, and that without the tax credit, most companies probably would not build renewable capacity today, although with California pushing for energy from renewable sources and fast-changing technology, renewable energy might be produced competitively without the tax credit at some point in the future. Ms. Propst added that although some states tax the generation of electricity, all but four offset the tax with tax credits; Wyoming imposed a tax on renewable energy generation and has not had a new project come online since then.

Moving New Mexico Toward 100 Percent Clean Renewable Energy

Tom Solomon, co-coordinator, 350 New Mexico, referring to his handout, urged the committee to support extension of the RPS for electricity and to increase it to 100 percent by 2050 to prevent irreversible damage to the planet due to increasing temperatures caused by increasing carbon dioxide levels. He noted that bipartisan majorities of voters support expanding

solar and wind energy by seven to one, and oppose expanding fossil fuel and nuclear energy. Ten states have RPS targets significantly above New Mexico's, including Hawaii, which has a goal of 100 percent by 2045. He proposed a mix of 50 percent wind, 40 percent solar and 10 percent geothermal energy for New Mexico. He noted that New Mexico's energy infrastructure is aging and needs to be replaced anyway, and replacing fossil fuel generated electricity with renewable source generated electricity will cost both the energy companies and customers less in the long run while providing known and predictable fixed costs for business, creating a better business climate. The jobs created by the necessary construction and operation will replace jobs lost. New Mexico has the natural resources necessary for development of both solar and wind power: it is second in the country in number of sunny days and land area available for solar farms, and it is twelfth in the country in wind. In addition, use of renewable sources reduces the amount of water needed to obtain the fuel and to generate the electricity.

On questioning, Mr. Solomon said that the industry is working on ways to store electricity generated by solar energy for use at night, and he reiterated that solar, wind and geothermal energy are complementary. One hundred percent renewable energy would use .04 percent of available land; for example, all power needs of the entire country could be met by a solar farm the size of the bootheel. He argued that agricultural land should not be converted to solar production because there is plenty of land that is not fit for agriculture that is better suited for solar production. He emphasized that the level of urgency to reduce fossil fuel reliance becomes higher and higher the longer people wait to address it.

Public Comment

Elmer White, who lives near Clovis, noted the decreasing population in that area and the increase in the number of wind turbines. He observed that "if you want to get rid of something you tax it, and if you want more of something you subsidize it" and suggested subsidizing additional transmission lines to allow maximization of wind energy. He said that landowners get royalties for placement of wind towers just like oil and gas royalties for wells, but wind towers are much less disruptive than oil and gas wells.

Bill Brockman, a rancher in Union County, said that reliable, affordable and renewable energy is essential to economic development. He strongly supports renewable energy and the transmission lines necessary to bring it to market.

Susie Hutchison, a rancher in Union County, said there are 4,200 people in Union County and 6.8 million acres of mostly ranch land. She said cows are not bothered by the wind turbines, and ranchers and schools appreciate the additional reliable income from royalties. She strongly supports the construction of more transmission lines.

Paul Stout, who lives in Broadview in Curry County, said that rural economic development depends on adequate infrastructure. He said there are 141 wind turbines in operation in Curry County, and 96 more are in the planning stages. He strongly supports development of renewable, particularly wind, energy.

Adjournment

There being no further business before the committee, the third meeting of the Economic and Rural Development Committee for the 2017 interim adjourned at 1:16 p.m.

Revised: September 12, 2017

**TENTATIVE AGENDA
for the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**September 14, 2017
Spaceport America
County Road A021
Truth or Consequences**

**September 15, 2017
Gadsden Administrative Complex
4950 McNutt Road
Santa Teresa/Sunland Park**

Thursday, September 14 — Spaceport America, Truth or Consequences

- 9:00 a.m. **Call to Order, Introductions and Approval of Minutes**
—Senator Benny Shendo, Jr., Chair
- 9:10 a.m. (1) **[Welcome and Updates from Spaceport America](#)**
—Daniel Hicks, Chief Executive Officer (CEO), Spaceport America
- 10:00 a.m. (2) **[Copper Mining in Sierra County](#)**
—Jeffrey Smith, P.E., Chief Operating Officer, New Mexico
Copper Corporation
—Omar El-Emawy, Office Manager and Analyst, THEMAC Resource
Group
- 10:45 a.m. (3) **[Value Added Agriculture](#)**
—Rolando A. Flores, Dean, College of Agricultural, Consumer, and
Environmental Sciences, New Mexico State University
—Anthony Parra, Deputy Director, New Mexico Department of Agriculture
—Jay Hill, Co-Owner, Wholesome Valley Farms
—Bob Alexander, Interim Executive Director, New Mexico Livestock
Board
—Dave North, Site Director, Southwest Cheese Company
- 12:00 noon **Working Lunch**

12:15 p.m. (4) [Downtown Revitalization Through Enactment of the "Pub Bill"](#)
—Kasandra A. Gandara, City Councilor, City of Las Cruces
—Andy Hume, Downtown Coordinator, City of Las Cruces
—Arianna Parsons, Executive Director, Downtown Las Cruces Partnership

1:00 p.m. (5) [Barriers to Occupancy of Rural Vacant Buildings](#)
—Rich Williams, Director, New Mexico MainStreet, Economic Development Department
—Jack Milarch, Executive Vice President and CEO, New Mexico Home Builders Association
—Mike Unthank, Superintendent, Regulation and Licensing Department (RLD)
—Pat McMurray, Director, Construction Industries Division and Manufactured Housing Division, RLD
—Michael Savage, Chief Building Official, City of Rio Rancho
—Milo Lambert, Fire Chief, City of Silver City (invited)
—Brian Moore, Board Member, New Mexico Association of Commerce and Industry

2:30 p.m. (6) [Virgin Galactic and Economic Expansion](#)
—TBD

3:00 p.m. (7) [Public Comment](#)

3:15 p.m. **Depart for Tour of Spaceport America***
*This is an invitation-only tour for committee members and staff.

5:00 p.m. **Recess**

Friday, September 15 — Joint Meeting with the Mortgage Finance Authority Act Oversight Committee, Gadsden Administrative Complex, Santa Teresa/Sunland Park

10:00 a.m. **Reconvene — Introductions**
—Senator Benny Shendo, Jr., Chair, Economic and Rural Development Committee
—Representative Eliseo Lee Alcon, Chair, Mortgage Finance Authority Act Oversight Committee

10:10 a.m. (8) [Overview of the Dona Ana County-Mexico Border Area — Opportunities and Challenges for New Mexico](#)
—Billy G. Garrett, Commissioner, District 1, Dona Ana County; Chair, Camino Real Regional Utility Authority (CRRUA)

- 10:30 a.m. (9) **Dona Ana County Projected Population Growth and Plans to Meet Housing, Utility and Other Community Infrastructure Needs**
—Vincent Pokluda, Assistant County Manager for Administration, Dona Ana County
—Angela Roberson, Interim Community Development Director, Dona Ana County
- 11:15 a.m. (10) **Water, Sewer and Land Use Projections and Challenges for Southern Dona Ana County**
—Brent Westmorland, Executive Director, CRRUA
- 12:15 p.m. **Lunch**
- 1:15 p.m. (11) **Regional Future — Goals and Obstacles**
—Javier Perea, Mayor, Sunland Park
—Isabella Solis, Commission Chair, Dona Ana County
—Billy G. Garrett, Commissioner, District 1, Dona Ana County; Chair, CRRUA
- 2:00 p.m. (12) **Local Housing Availability and Demand**
—Juan Olvera, Executive Director, Mesilla Valley Public Housing Authority
—TBD
- 2:45 p.m. (13) **Mission New Mexico: Affordable Housing Opportunities from the New Mexico Mortgage Finance Authority (MFA)**
—Jay Czar, Executive Director, MFA
—Teri Baca, Homeownership Representative, MFA
- 3:30 p.m. **Adjourn**

MINUTES
of the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

September 14, 2017
Spaceport America
Truth or Consequences

September 15, 2017
Joint Meeting with the
Mortgage Finance Authority Act Oversight Committee
Gadsden Administrative Complex
Santa Teresa/Sunland Park

The fourth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, vice chair, on September 14, 2017 at 9:36 a.m. at Spaceport America in Truth or Consequences.

Present

Sen. Benny Shendo, Jr., Chair (9/15)
Rep. Debbie A. Rodella, Vice Chair (9/14)
Sen. Jacob R. Candelaria (9/14)
Rep. Rebecca Dow (9/14)
Rep. Rick Little
Rep. Matthew McQueen (9/14)
Rep. Jane E. Powdrell-Culbert
Rep. Nathan P. Small
Rep. Candie G. Sweetser

Advisory Members

Rep. Eliseo Lee Alcon (9/15)
Rep. Gail Armstrong
Rep. Alonzo Baldonado (9/15)
Sen. Craig W. Brandt
Rep. Kelly K. Fajardo (9/15)
Rep. Bealquin Bill Gomez (9/15)
Rep. D. Wonda Johnson
Rep. Patricia Roybal Caballero
Rep. Angelica Rubio (9/15)
Rep. James E. Smith

Absent

Sen. Ron Griggs
Rep. Tim D. Lewis
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Sen. Michael Padilla
Sen. John Pinto
Sen. Pat Woods

Sen. William F. Burt
Rep. George Dodge, Jr.
Rep. Joanne J. Ferrary
Rep. David M. Gallegos
Rep. Yvette Herrell
Sen. Carroll H. Leavell
Rep. Sarah Maestas Barnes
Rep. Rod Montoya
Sen. Mark Moores
Sen. Mary Kay Papen
Rep. William "Bill" R. Rehm
Rep. Patricio Ruiloba
Rep. Nick L. Salazar

Sen. William E. Sharer
Sen. Elizabeth "Liz" Stefanics
Sen. Bill Tallman
Rep. Linda M. Trujillo
Rep. Bob Wooley
Rep. Monica Youngblood

Guest Legislator

Sen. William P. Soules (9/14)

(Attendance dates are noted for members not present for the entire meeting.)

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, September 14 — Spaceport America, Truth or Consequences

Call to Order — Introductions

Representative Rodella called the meeting to order and welcomed members of the committee and guests to the meeting. Committee members introduced themselves.

Welcome and Updates from Spaceport America

Daniel Hicks, chief executive officer (CEO), Spaceport America, introduced his executive staff: Zach De Gregorio, chief financial officer; Melissa Kemper Force, general counsel; Dr. Bill Gutman, vice president of aerospace operations; and Chris Lopez, vice president of site operations. Mr. Hicks provided an update of the spaceport's status and activities, affirming that the primary purpose of the spaceport is to create jobs and revenue for the private and public sectors. Referring to his handout, Mr. Hicks said that the spaceport has received \$9.2 million in customer revenue to date and the commercial space industry is growing. One hundred new jobs are expected to be created at the spaceport in fiscal year (FY) 2018 with an estimated \$60,000 annual salary for each.

Spaceport America offers Federal Aviation Administration (FAA)-licensed horizontal and vertical launch areas on 18,000 acres to permanent tenants, including Virgin Galactic, SpaceX, UP Aerospace, EXOS Aerospace Systems & Technologies and EnergeticX's

Pipeline2Space. New Mexico offers unique advantages to the commercial space industry for the following reasons:

- it is sparsely populated;
- the high elevation (4,600-plus feet) means that spacecraft require less propulsion energy;
- 340-plus days of sunshine a year mean launches can be scheduled with relative confidence that weather will not interfere;
- insurance costs are lower because the area is not susceptible to natural events such as hurricanes and earthquakes;
- the remote location and 24/7 security offer privacy for competitive product development;
- the spaceport is a purpose-built commercial facility that has space for both build-to-suit tenancy and ad-hoc flight test campaigns; and
- perhaps most importantly, the spaceport is adjacent to White Sands Missile Range (WSMR), so Spaceport America tenants have access to 6,000 square miles of protected airspace with unlimited verticality.

Spaceport activity has increased steadily since 2007. In FY 2017, there were 14 vertical launches, one flight mission from the horizontal launch area, two launch system tests, two balloon missions and 60 launches during the inaugural Spaceport America Cup. The spaceport's growth is expected to be both in orbital and suborbital applications, with a focus on research and commercial transportation of cargo and personnel. The spaceport is currently working with WSMR and Boeing to develop new technology that allows returning crew transportation capsules from the International Space Station to land on land instead of in the ocean. The first successful launch of the new technology was in February 2017.

Mr. Hicks explained that the initial time line for expected economic development related to the spaceport was unrealistic, especially considering that all facilities required new construction. In contrast, the federal government gave California, Florida and Virginia billions of dollars worth of facilities due to the closure of federal programs. The spaceport is currently at about three percent of its projected full development and needs continuing investment to continue growing.

The spaceport also has a number of community outreach initiatives. It partnered with the Experimental Sounding Rocket Association to offer academia and industry a unique opportunity to collaborate and compete, and to inspire the next generation of aerospace engineers and scientists, by participating in a new annual event called the Spaceport America Cup, the first of which was held in June 2017. Students launched solid, liquid and hybrid rockets to target altitudes of 10,000 and 30,000 feet. There are plans to build on the Spaceport America Cup by adding more college-level events as well as events for industry and even high schools. The spaceport also works with educators across New Mexico, particularly in Dona Ana and Sierra counties, to prepare and deliver science, technology, engineering and mathematics content in and

out of the classrooms to help prepare the next generation for space exploration and commercialization.

In April 2017, the spaceport organized the Spaceport America Relay Race from El Camino Real de Tierra Adentro National Historic Trail in El Paso, Texas, to the spaceport. There were 22 teams of 12 runners each that completed approximately 180 miles over two days. The race was supported by community and corporate sponsors and volunteers.

The spaceport will be requesting a 30 percent budget increase in FY 2019, which will bring it back to the FY 2012 funding level after funding cuts in successive years since FY 2012. The additional funding will allow the spaceport to meet FAA airspace management requirements by filling existing unfilled positions, particularly of aerospace engineers; to perform required preventive maintenance; and to increase the number of rocket launches and events. The spaceport's long-term capital improvement plan calls for repairs and upgrades of its facilities; construction of a new launch vehicle integration facility and fuel farm and of another taxiway; and major repairs to the vertical launch area.

Mr. Hicks also requested the committee's support of a proposed Commercial Space Protection Act (CSPA) that would provide the necessary confidentiality to protect tenants' proprietary research and development activities. Other states with spaceports have such legal protections, and New Mexico will not be competitive in attracting additional tenants if the legislation is not enacted here.

On questioning, the following topics were addressed.

Commercial uses for the spaceport other than tourism. The public information message about the spaceport needs to shift from entertainment and tourism, which is expected ultimately to comprise only between one and two percent of total commercial activity, to other commercial activities.

CSPA, transparency and compliance with sunshine laws (Inspection of Public Records Act (IPRA) and Open Meetings Act). The state auditor has expressed concerns about transparency, and the attorney general found that the spaceport violated IPRA in several instances. Mr. Hicks responded that the construction contracting process has been opened up, and the spaceport is working with the attorney general to address IPRA concerns while maintaining necessary tenant confidentiality. He expressed optimism that a new draft of the CSPA would address concerns about both transparency and the IPRA.

Revenue. The "other revenue" referenced at slide 21 comes from rents from tenants, user fees, aerospace industry profits and signature events, such as the Spaceport America Relay Race and Spaceport America Cup. In the future, it may also include excess revenue after bond service from the taxes collected in Dona Ana and Sierra counties, which are currently accumulating in a

reserve account. The spaceport is working with the New Mexico Finance Authority to allow access to the reserve account.

Funding. If the spaceport receives the additional \$624,000 that will be requested for FY 2019, staff will use it for planning and business development, including at least one aerospace engineer following up on approaches to potential new tenants. Most infrastructure is funded with a mix of funding sources, and no other state expects a spaceport or other infrastructure to be 100 percent reimbursable.

Capital improvement plan. Other infrastructure projects around the state with direct and immediate impact are projected to total less than the \$46 million in capital outlay expected to be requested by the spaceport. The \$46 million would not be a one-time request but would be divided and then spread out over time. Paving the road between the spaceport and Las Cruces should be a priority.

Copper Mining in Sierra County

Jeffrey Smith, P.E., chief operating officer, New Mexico Copper Corporation (NMCC), introduced Omar El-Emawy, office manager and analyst, THEMAC Resources Group Ltd.

Referring to his handout, Mr. Smith described the NMCC's Copper Flat Project (CFP) in Sierra County, four miles northeast of Hillsboro and 20 miles southwest of Truth or Consequences. The NMCC is in the process of obtaining permits for a planned mine that will produce copper, molybdenum, gold and silver from an open-pit mine that incorporates much of the infrastructure remaining from a mining operation that was constructed on the site in 1982 and closed in 1983. The state and federal permits required include:

- a determination of water rights;
- a federal environmental impact statement;
- a Department of Environment (NMED)-issued discharge permit; and
- a mine reclamation permit issued by the Mining and Minerals Division (MMD) of the Energy, Minerals and Natural Resources Department. Permitting is expected to be complete by the end of the second quarter of 2018.

The NMCC is a wholly-owned subsidiary of THEMAC Resources Group Ltd., a Canadian-listed company whose majority shareholder is Tulla Group (Tulla), the Australian-owned investment group of the Maloney family based in Sydney, Australia. Tulla is fully funding the CFP and has invested \$55 million into the project to date, \$38 million of which was spent in New Mexico.

New Mexico State University's (NMSU's) Arrowhead Center projects that \$360 million will be spent in New Mexico during the three-year construction and start-up phase, providing 1,337 direct, indirect and induced jobs during construction, \$115 million annually during the 12-

year operating life of the mine and 270 full-time jobs during operation. Over the projected 12-year life of the mine, state taxes are projected to total \$53 million.

The CFP's environmental protection plans include:

- a zero-discharge facility design that will recycle 65 percent to 75 percent of the water used to protect water quality;
- installation of mechanical dust- and fume-collection systems, state-of-the-art emission controls for internal combustion engines and watering or treating roads and open areas to protect air quality; and
- fencing or enclosing areas that are potentially hazardous to wildlife and providing fresh water stations in areas well away from the operation to protect wildlife.

A reclamation plan that will return land in disturbed areas to post-mining uses that match the existing uses of grazing, wildlife habitat and recreation has been submitted to the MMD and to the NMED as part of the application for a new mine permit under the New Mexico Mining Act. Initial site surveys to identify sites with potential cultural resources are complete, with the next phase expected to take approximately one year. Formal agreement regarding how these resources will be protected has been reached with the federal Bureau of Land Management, the Historic Preservation Division (HPD) of the Cultural Affairs Department and 12 Native American tribes.

The NMCC has become a strong community supporter and is working closely with local leaders, educational institutions and government officials to encourage the development of training programs to enable the company to hire qualified local residents. Key infrastructure, including roads, rail, power, water and services and accommodations, are already in place, in addition to nearly \$54 million in existing development from past operation of the mine. Assuming permitting and financing will be in place, the construction decision will be made sometime in the middle of 2018.

On questioning, the following topics were addressed.

Marketing of the products. Mr. Smith explained that the mine's products are sold as concentrate, which is smelted and refined elsewhere; most buyers are in Asia. Severance taxes are paid on the extracted ore.

Reclamation and effects of mining on aquifers. The NMCC is working with a tri-county group for input on the effects of mining on local and regional water resources. Financial responsibility for reclamation is guaranteed during the current planning phase with certificates of deposit held by a local bank. In the future, during the construction and operations phases, reclamation will be ensured by fully funded escrow deposits.

Value-Added Agriculture

Rolando A. Flores, dean, College of Agricultural, Consumer and Environmental Sciences, NMSU, referring to his handout, asserted that value-added agriculture, which is product value enhancement through transformation or processing, is an avenue for economic development because the consumer base for the commodity or product is expanded and a greater portion of the revenue from the product goes to the producer. The farmer produces the food in its natural state, and value is added by transforming or processing it into a more consumable product. Examples of value-added products are bacon from hogs, bread or flour from wheat and cheese from milk. Farmers who produce the raw commodity typically receive between 1.8 percent and 40.2 percent of the value of the value-added product.

NMSU, as a comprehensive research land-grant university, sponsors value-added research for a variety of agricultural products but is limited by funding from expanding its research. To strengthen and foster agriculture, which is the second- or third-largest existing industry in New Mexico, Dr. Flores proposed the establishment of a New Mexico Value-Added Agricultural Institute at NMSU to support the development and expansion of value-added agricultural products. The institute would not require brick-and-mortar development but, rather, would receive funds to be used for market and product research and investment. The institute would bring together a number of existing different, but related, disciplines and attract medium- to large-size value-added operators and facilitate in-state entrepreneurship.

Jay Hill, co-owner, Wholesome Valley Farms, referring to his handout, related to the committee his experience growing up on a farm and deciding at an early age to be a farmer. At age 16, he convinced his father to let him farm 10 acres; now his farms are the largest vegetable seed producers in New Mexico. He commented that when he was growing up, there were seven different buyers of crops in southern New Mexico, and farmers had a choice of buyers for their products. Now there is only one buyer. He has an educational mission in addition to farming: to teach people, especially children, where their food comes from. To do this, he markets many of his products directly to schools and sponsors field trips for school classes to visit his farms. He strongly supports the development and expansion of value-added agriculture and offered to be a resource for any legislator with questions regarding farming.

Bob Alexander, interim executive director, New Mexico Livestock Board, confirmed that almost all meat raised in New Mexico is now shipped out of state for finishing, slaughter and processing before being returned to New Mexico to be sold to New Mexico retailers and consumers. He suggested that meat-processing facilities provide an opportunity for value-added agriculture. Referring to his handout, he summarized the history of meat processing in New Mexico.

Until about 10 years ago, the New Mexico Livestock Board had a meat and poultry inspection division that operated under an agreement with the U.S. Department of Agriculture (USDA) Food Safety and Inspection Service (FSIS), which sets national standards for meat and poultry inspections. States operating their own meat and poultry inspection programs are

required to meet and enforce federal standards, and the FSIS conducts annual reviews of state-operated programs. In 2006, New Mexico had a state compliance officer and 10 field consumer safety inspectors inspecting five slaughter establishments and 19 processing establishments. The annual review conducted in January 2006 resulted in documentation of incidents of noncompliance that were not corrected over the next 16 months. There was a difference of approach to inspection between the state's meat and poultry inspection program and the FSIS, and New Mexico eventually decided not to continue its state-operated inspection programs. Inspection of existing facilities is now done by the FSIS. If New Mexico wants to resume state-operated inspection programs, input from all stakeholders would need to be collected and a plan developed for complete slaughter- and meat-processing-inspection programs, including budgets. Based on the previous state-operated inspection programs, a projected start-up cost would be approximately \$1,831,000, which includes a one-time cost for equipment and supplies of approximately \$475,000 and an annual operating budget of \$1,356,000.

Dave North, site director, Southwest Cheese Company, referring to his handout, explained that Southwest Cheese is a joint venture between Glanbia plc and milk producers, including Dairy Farmers of America, Inc., Select Milk Producers, Inc., and members of the dairy cooperative Greater Southwest Agency, Inc. The milk producers and Glanbia each own 50 percent of Southwest Cheese. Glanbia plc processes milk provided by the milk producers into cheese and whey protein products, conducts research and development on new products and markets the products across the United States and to 19 other countries. There are 59 dairies with 123,000 cows in Curry and Roosevelt counties within a 25-mile radius of the processing plant, and there are additional dairies in Eddy and Lea counties. New Mexico is one of the top-10 milk-producing states. In 2014, the dairy industry grew due to strong on-farm profit margins, and Southwest Cheese expects continued growth when "Project Hercules" is completed in 2018. Project Hercules will increase the square footage of the plant by 120,000 feet and substantially increase cheese and whey protein production. Southwest Cheese currently employs 383 people in the plant, and hundreds more are employed by its milk producers. Its sustainability plan goals are to reduce energy use, reduce water use and improve the usefulness of wastewater effluent.

On questioning, the following topics were discussed.

Local Economic Development Act (LEDA) and Job Training Incentive Program (JTIP) funds, New Mexico True. Mr. Hill and Mr. North confirmed that they had received funds from either LEDA or JTIP, or both, through the Economic Development Department (EDD). Anthony Parra, deputy director, New Mexico Department of Agriculture, affirmed that the Tourism Department's New Mexico True campaign complements agricultural marketing efforts of various kinds, including farms, dairies and vineyards.

Legislative support. The presenters told the committee that they are not asking for either money or a new law at this time, although a bill supporting value-added agriculture that was introduced in the 2017 session and did not pass will be introduced again in the 2019 session. Their purpose in presenting was to provide background information to educate the committee on

some agricultural issues and also to act as resources when questions regarding New Mexico's agriculture industry arise.

Labor costs and challenges. Mr. Hill informed the committee that his farms pay above the minimum wage, and he is working on expanding and developing so that he can provide year-round employment. At present, there is about a two-and-a-half-month employment gap in winter.

Downtown Revitalization Through Enactment of the "Pub Bill"

Arianna Parsons, executive director, Downtown Las Cruces Partnership, expressed the partnership's strong support for Senate Bill (SB) 37 (2017), the "Pub Bill".

Senator Soules explained that SB 37, which he sponsored, would have amended the existing statute (Section 60-6A-4 NMSA 1978) to allow restaurants that have a restaurant license to sell beer and wine also to sell spirituous liquors distilled and bottled in New Mexico in local option districts that vote to allow it. The licenses could only be used in certain areas of a community, including an enterprise zone, a tax increment development district, an arts and cultural district, a MainStreet, a business improvement district, a frontier community or other places the local government has designated as locations in need of revitalization or economic development. The bill passed in the senate and died in the house. Senator Soules said that the bill is necessary because full-service dispenser's liquor licenses are prohibitively expensive for most restaurants, and the full-service licenses are moving and concentrating away from areas where economic development is needed. The bill would allow communities that have lost local full-service liquor licenses to have access to distilled spirits in restaurants and would support New Mexico distilleries.

Andy Hume, downtown coordinator, City of Las Cruces, referring to his handout, summarized the growth of Las Cruces' downtown, including the addition of eight new businesses and 10 pending projects, based on the completion of a downtown master plan in 2016. Ms. Parsons added that the Pub Bill would relieve constraints on the income of restaurants that are currently limited by the lack of full-service liquor license availability. She noted that servers in restaurants with beer and wine licenses are already required to be trained and certified alcohol servers, and restaurants are committed to responsible service and consumption of alcohol. The new license would not cost the state any money but would bring in additional revenue through fees and increased business taxes. Mr. Hume mentioned that the City of Las Cruces had a partnership with NMSU to perform geographic and economic impact analyses of the effects of the bill, including the impact on the value of the existing full-service licenses, and that information would be ready before its next introduction. Senator Soules observed that when beer and wine licenses were first introduced in 1981, it was predicted that the value of full-service licenses would decrease, but that has not happened, and, in fact, full-service licenses are worth more today than when the restaurant licenses were created. He opined that their value is artificially high because they are limited.

Barriers to Occupancy of Rural Vacant Buildings

Rich Williams, director, New Mexico MainStreet, EDD, said that among the barriers to occupancy of rural vacant buildings are owners who are "land rich, cash poor", i.e., who do not have the financial resources to redevelop the buildings they own; seriously deficient public infrastructure, including streets and sidewalks; and onerous building codes requiring that vacant old and historic buildings be brought up to current code before new occupancy is permitted. He suggested that government should loosen the building code strictures and offer incentives for owners to redevelop their old or historic buildings.

Jack Milarch, executive vice president and CEO, New Mexico Home Builders Association, commented that it is very expensive to renovate vacant old and historic buildings to be brought up to code. He also observed that the relevant building codes are extensive and sometimes conflicting and need to be streamlined and integrated. For example, the cheese plant in Clovis is governed by two different fire codes that are enforced by two different sets of officials using two different versions of the codes and often with differing interpretations. Conflicts among codes and code enforcers are expensive and time-consuming. He opined that solving these issues would go a long way toward making redevelopment of vacant old and historic buildings economically feasible.

Mike Unthank, superintendent, Regulation and Licensing Department (RLD), agreed with Mr. Milarch's comments and said that the RLD's Construction Industries Division (CID) is working on it. He observed that collaboration, coordination and communication between officials and the public are necessary and often missing. He noted that the state building code adopted by the CID is based on recommendations of the trade bureaus and, thus, is considered a "blended code". He also noted that state law allows local governments to adopt codes that are more stringent than the state code, which may lead to different interpretations.

Pat McMurray, director, CID and Manufactured Housing Division, RLD, said that the CID has done a poor job of educating the public regarding the various building codes. He emphasized that the reason for the codes is to protect the public safety, but the codes do allow some flexibility in interpretation and application. The CID wants its staffers to be advisers, consultants and mentors, not just code enforcers, and when developers and owners come to the CID very early to help plan the process, the CID can usually help them save time and money.

Brian Moore, board member, New Mexico Association of Commerce and Industry (ACI), related the experiences of two restaurants and a truck stop that wanted to open in Clayton. It took one restaurant six months to get all of the required permits, the other restaurant gave up and the truck stop permits took so long that the owners went to Texas instead. He related complaints about the timely availability of inspectors and the frequent necessity for repeat visits because inspectors were too impatient to wait for small modifications to be done while they were on site. He said most projects of ACI members are too small for CID inspectors, and there are not enough local inspectors available, especially in the more rural areas.

Milo Lambert, fire chief, Town of Silver City, expressed concern that the state fire marshal is located in Santa Fe and that, based on drive times to sites throughout the state, it could be weeks before a building can be inspected for compliance with the fire code. He emphasized the need for regional offices of the state fire marshal to perform inspections and provide consultations on fire-related construction and renovation issues.

Michael Savage, chief building official, City of Rio Rancho, shared with the committee successes that have been realized in Rio Rancho by engaging in education and community outreach on building code and fire code compliance. The planning and development review committees are proactive in meeting with developers, architects and others involved in the construction or renovation of a building to understand what will be needed for code compliance and the permitting process.

On questioning, the following topics were discussed.

Inspection challenges. Superintendent Unthank commented that the RLD, and the CID by extension, is a General Fund-supported agency and is required to maintain a minimum of 12 percent, and sometimes up to 17 percent, vacancy rate, so it is chronically understaffed. The CID, therefore, encourages local governments to take over inspection responsibilities wherever possible. He argued strongly against establishing the CID as an enterprise entity because the difficulty of predicting income from inspection fees would negatively affect the stability of the program, leading to even longer wait times. In addition, if the CID were funded solely from inspection fees, there would be no incentive not to increase the amount and number of fees. Local governments in more rural areas often do not have enough construction to justify full-time inspectors, but they could create a memorandum of understanding among several jurisdictions to form a regional entity for local inspections. Currently, inspectors must take both national and state certification tests in up to two of four specific areas (mechanical, electrical, plumbing and structural) for either commercial or residential construction, so there are eight total possible certifications; but inspectors may only hold certifications in two of the eight possible areas. The CID has cross-trained 27 inspectors in different areas to maximize their efficiency.

Legislative action. House Bill 205 (2017), which would have provided procedures for businesses with 50 or fewer employees in communities with a population of less than 50,000 to seek certification and variances to occupy vacant commercial buildings in rural communities, did not reach the house floor. The committee expressed interest in reworking the bill. Another helpful legislative action would be to lessen the restrictions on how many certifications an inspector can hold by allowing inspectors to obtain up to eight certifications so that one inspector can perform inspections in several different areas, which would greatly increase efficiency.

Public Comment

Max Yeh, representing the Percha Animas Watershed Association, raised concerns about the amount of water needed to operate the Copper Flat Mine because of the low quality of ore at

the mine. He said that new water rights will be needed to operate the mine and that about one-third of the ground water usage in the county will be by the mine.

Teresa and James Harthun of Animas Creek expressed concerns that the NMCC will take the ore and leave the community with the trash. They are also concerned with the effect on the water quality and supply.

Barbara Pearlman expressed skepticism about the financing and questioned the viability of the mine. She asserted that in July, THEMAC Resources Group Ltd. assigned \$70 million of debt to the NMCC, and she alleged that in 2015, THEMAC Resources Group Ltd. was a "zombie company on the Toronto stock exchange, with zero working capital".

David Farrel, a resident of Hillsboro, expressed concern about water quality and supply if the mine begins operations. He recounted the history of the mine, beginning in the 1950s, and said that if history is an indicator, then copper mining is never going to boost Sierra County's economy, as the price of copper has rarely risen above \$3.00 per pound and copper mining is unprofitable below that level.

John Sterle, New Mexico Fisher House, explained that the Fisher House Foundation provides a no-cost "home away from home" for families of patients receiving medical care at major military and U.S. Department of Veterans Affairs (VA) medical centers. New Mexico Fisher House plans a Fisher House for Albuquerque on the grounds of the VA hospital, but because of an impasse between the HPD and the Fisher House Foundation, the project is stalled. The VA center campus is part of a designated "national historic district" that requires compliance with certain building designs. The cost of modifying the building plans for Albuquerque's Fisher House to meet the HPD's requirements entails a significant cost upgrade, and the project will not be able to go forward unless the laws are changed.

Bruce Swingle, manager, Sierra County, expressed support for Spaceport America and the Copper Flat Mine. He said that Sierra County receives \$400,000 to \$450,000 a year from the spaceport and that it receives more financially from the spaceport than the county is giving. He also said that Sierra County is supportive of the mine and has held many public meetings about it. Only a minority is in opposition. He said that the mine will create 1,200 construction jobs, 275 to 300 jobs during operations and approximately \$270 million in tax revenue.

Recess

The committee recessed at 4:31 p.m. for a tour of the spaceport and an accompanying presentation by Virgin Galactic.

Friday, September 15 — Joint meeting with the Mortgage Finance Authority Act Oversight Committee, Gadsden Administrative Complex, Santa Teresa/Sunland Park

Reconvene/Introductions

Senator Shendo and Representative Alcon, chair, Mortgage Finance Authority Act Oversight Committee, called the joint meeting of the committees to order at 10:14 a.m. and welcomed members of the committees and guests to the meeting. Committee members introduced themselves.

Overview of the Dona Ana County-Mexico Border Area — Opportunities and Challenges for New Mexico

Billy G. Garrett, commissioner, Dona Ana County, and chair of the Camino Real Regional Utility Authority (CRRUA), addressed the committees on "what's needed to support sustained economic activity along the New Mexico border with Mexico". Commissioner Garrett noted three major obstacles to development of the region: 1) lack of coordination between the various jurisdictions; 2) a failure to understand the urgency of action; and 3) insufficient funding. He also said that there is a need for clear policies to guide the region's relationship with El Paso and the state of Texas in constructive ways so as to maximize benefits for all of New Mexico.

Reviewing his handout, Commissioner Garrett discussed the regional planning initiative that has been ongoing since 2011, which includes the efforts of 12 local organizations and governmental entities. He stressed that development should be holistic and that the planning guides are strongly influenced by livability principles. A key part of the approach is to strengthen existing communities by building upon infrastructure, communities and identities that already exist in the region.

Commissioner Garrett discussed how border development has many scales of reference. The perspective taken in defining the border affects greatly how and what development is undertaken. For instance, the perspective from Mexico includes a major system of roads to support what is going on in San Jerónimo across the border from and adjacent to Santa Teresa. Looking at the region from a continental United States perspective, it is apparent that the border region ties into a system of international and national trade routes, in addition to the Interstate 10/Interstate 25 corridor and the Rio Grande.

Commissioner Garrett discussed the border area's three major development needs: 1) roads; 2) affordable housing; and 3) colonias development. As to roads, he said that funding is needed to upgrade the county and state roads to support heavy traffic. He also discussed plans to connect the region to points north and east in New Mexico and south to El Paso and Juarez. He noted that strategic thinking is needed to link the development of the border region to the rest of the state, in addition to ensuring that the transportation system has the capacity to handle higher volumes of freight rail, trucking and personal vehicle use. As to affordable housing, Commissioner Garrett discussed Dona Ana County's affordable housing plan and affordable housing ordinance and reviewed several programs that are in place to help meet affordable

housing needs. As to the development of colonias, Commissioner Garrett said that investment is needed to make the rural areas more desirable. Improvements are needed to ensure adequate infrastructure and other basic services, such as a potable water supply, wastewater systems, safe and sanitary housing, paved roads with gutters, storm water drainage and protection and broadband capabilities. Approximately \$600 million is needed for critical improvements to colonias in Dona Ana County alone.

As to next steps, Commissioner Garrett discussed the need to develop a comprehensive, long-term strategy that is equal to need. Additionally, he said, it is necessary to secure the buy-in, including a significant increase in financial support at all levels of government.

On questioning, the following topics were discussed.

New Mexico's relationship with Mexico. A member expressed concern that New Mexico does not adequately value its relationship with Mexico and urged New Mexico to make efforts to cultivate the relationship. It was noted that Arizona has invested a lot of money in its port of entry and not just for checkpoints. The member expressed surprise at how much less militarized the border is in Arizona as compared to New Mexico and that militarization of the border does a disservice to the border communities as people travel back and forth.

Living conditions for workers. A member expressed concern that while there is an emphasis on trade and creating jobs, living conditions for the workers who are the source of labor have not improved and many of these workers are being profiled and targeted by immigration authorities. Workers continue to be underpaid and are living in the same conditions they lived in before they got the jobs. It was suggested that a component of regional planning should focus on job creation with livable wages and structures that address particular needs of colonias, such as housing, infrastructure and medical support.

Public-private partnerships. A member expressed support for public-private partnerships, noting that public investment in Santa Teresa is driving private investment in all corners of the state. It was noted that Dona Ana County is working within the current public-private partnership framework to the extent that it is allowed by state statute.

Flood control. It was suggested that local legislative members pool their capital outlay funds to address flood-control issues. It was noted that Dona Ana County has worked with the USDA primarily on domestic water issues.

Funding sources. Sources of funding for county projects, including state and federal funds, were also discussed. It was mentioned that Dona Ana County has been unable to take advantage of many grant programs due to a lack of revenue to meet matching fund requirements.

Dona Ana County Projected Population Growth and Plans to Meet Housing, Utility and Other Community Infrastructure Needs

Vincent Pokluda, assistant county manager, Dona Ana County, and Angela Roberson, interim community development director, Dona Ana County, discussed with the committees the demographics of Dona Ana County, the challenges to development that exist, the approaches the county is using to respond to the challenges and ways for the legislature to support development.

The panelists shared with the committees that Dona Ana County encompasses a service area of approximately 3,800 square miles, with the vast majority of that area being unincorporated. About one-half of the population lives in the unincorporated areas, including colonias and surrounding rural communities. By 2040, the population of Dona Ana County is anticipated to increase by 40 percent to 55 percent, with growth occurring in the existing communities and also in the border area of Santa Teresa and Sunland Park. The infrastructure and public facilities that exist in the county were highlighted, including roadways, flood control infrastructure, wastewater infrastructure and public facilities, such as community centers and fire stations. The panelists mentioned that much of the existing infrastructure, for example, for flood control, has reached the end of its design life and is in need of repairs.

As to development challenges, the panelists explained that there are two areas of need: 1) in colonias, to enhance existing communities; and 2) in the border area, to prepare for new and future growth. They stated that the major ongoing challenge is that the current rate of funding for capital investments does not keep pace with new and future needs, nor does it significantly reduce the backlog of existing deficiencies. Specific to colonias, it was noted that there is a need to repair, upgrade or acquire new roadways, flood control and wastewater infrastructure, public facilities and professional services, such as fire, police and recreation opportunities. There are also deficiencies in the affordable housing stock, including the need for natural gas and wastewater utility connections and upgrades to approximately one-fourth of existing housing. As to the border area, mostly new construction is needed — specifically affordable housing. Because the border area is a multi-jurisdictional area, collaboration and coordinated efforts on a regional basis will be needed to meet the area's needs.

Responding to the challenges, "Plan 2040", a comprehensive policy guide, has been created. The plan prioritizes infrastructure improvements through an infrastructure capital improvement plan (ICIP) and encourages marketable and affordable housing. An affordable housing initiative has also been adopted that includes an affordable housing plan and an affordable housing ordinance. The components of the initiative will allow the county to access funding from the state's affordable housing loan funds. Regional partnerships and collaboration are also being pursued to maximize funding sources and align policies throughout the region. The panelists cited the Camino Real Consortium, a partnership of 12 organizations that modernized the regional plan and development code, as a precedent for the collaborations taking place in Dona Ana County.

In regard to needed state support, the panelists requested \$375,000 in matching funds from the affordable housing loan funds in FY 2018 and FY 2019 to match the funds committed by Dona Ana County. Additionally, it was requested that funding support for infrastructure and planning and services of design professionals be provided through the state's 2019-2023 ICIP.

On questioning, the following topics were discussed.

Regional collaboration. The Camino Real Consortium is a model for regional collaboration that shows how to integrate and advance initiatives instead of competing for resources. Sometimes a regional approach excludes people, but the key is to acknowledge in advance that certain populations are not included and that their voices are not recognized and then to make the effort to include underserved populations in the process.

Housing. In the current plan, the county is able to provide some funding for affordable housing, and a nonprofit lender is available to execute funding for those in need. Dona Ana County has also created a model to predict future needs. The focus is on three main areas: 1) home improvement, including fixing roofs and installing energy efficiencies; 2) getting homeowners to take pride in their homes, which benefits microeconomics and creates pride in the community; and 3) large-scale development, such as grocery stores, that may be needed for a particular area.

Water, Sewer and Land Use Projections and Challenges for Southern Dona Ana County

Brent Westmorland, executive director, CRRUA, explained that the utility was formed with a joint powers agreement with the City of Sunland Park and Dona Ana County. The CRRUA has been in existence for five years and serves 5,000 customers, which amounts to more than 21,000 individuals. He said that the CRRUA is currently involved in lots of construction, including treatment plants and wells, and that this work could not have been done without the support of the state.

The CRRUA provides water and wastewater services to Sunland Park, Santa Teresa and the border crossing. Mr. Westmorland said that the largest needs are in rehabilitation of the water distribution and wastewater collection systems, noting that some of the infrastructure is more than 40 years old. The CRRUA is working toward improving lift stations and collection and distribution systems. These projects cost \$22 million, \$2 million of which was provided by a land developer in Santa Teresa Industrial Park.

Mr. Westmorland stated that growth in the CRRUA's service area is estimated at 2,000-plus homes in the next 10 to 15 years, with 300 homes under construction at any given time and the addition of approximately 30 new customers per month. Although the water consumption of the industrial park is relatively low by industrial park standards, its large workforce is expected to move into New Mexico. The future residents will need to be served by the CRRUA.

On questioning, the following topic was discussed.

Water. Mr. Westmorland said that there are adequate water rights available, but the infrastructure to get the water out of the ground, treated and delivered to customers is needed. The CRRUA provides 100 million gallons of water per month, and the need is increasing on average by five percent per month.

Regional Future — Goals and Obstacles

Javier Perea, mayor, Sunland Park, Isabella Solis, commission chair, Dona Ana County, and Commissioner Garrett addressed the committees on the goals for and obstacles to development in the region.

Mayor Perea opened by stating that much progress has been made in Sunland Park. In the last year, Sunland Park had zero audit finds, although five years ago there were 47. Today, Sunland Park is one of the fastest-growing cities in New Mexico, and because El Paso is landlocked, as West El Paso continues to expand, Sunland Park is in a prime location to take advantage of that growth. He said that the city needs to continue to grow by adding 200 to 300 new homes and commercial development. Five hundred thousand dollars has been authorized for a master plan and to develop Sunland Park's vision for the next 10 to 20 years.

As to challenges, Mayor Perea said that infrastructure is the major issue. The cost of new infrastructure is being pushed onto new homeowners as increased costs and older parts of town are dealing with upgrades to 30-year-old infrastructure. He also noted that if Sunland Park wants to development tourism, there are barriers throughout the permitting process and with the availability of liquor licenses. He noted that much more commercial development is happening across the state line in Texas.

Commissioner Solis advised the committees that she has been talking with the county manager about a resolution to increase funding to the Colonias Infrastructure Trust Fund, and on the county commission agenda for September 26 will be Resolution 0522 to address the needs of private roads. She said that there has been lots of flooding, and the county has been doing the best it can with the money it has. Flooding has been a problem for over a decade, and this issue has been discussed with the governor. Resolution 0522 will help to address public safety concerns on private roads throughout the county. For instance, in many cases ambulances are not able to use the roads and children are required to walk one-half mile to access the school bus. Commissioner Solis said that it is time to prioritize money in the county for roads because there cannot be economic development without roads. Commissioner Solis stated that the county needs to come back to the core functions of what counties do: to focus on public safety, fire protection, ambulances and infrastructure.

Commissioner Garrett, referring to a discussion earlier in the day, told the committees that the major obstacle to orderly, sustained economic development and support of community development is generally a lack of urgency in understanding what needs to be done. He said that planners often are not anticipating in the right way the support and services that need to be in place and the quality of development that is desired. Commissioner Garrett suggested that it

would be great to have a map of New Mexico that shows how the entire state benefits from what happens in Dona Ana County, including the movement of goods and produce and the operations of trucking companies, for example. He also suggested that the region and state need to anticipate development of a rail system out of Mexico. Lastly, he stressed that there is a role for the state in helping to plan sustained, quality development and to bring stakeholders together for collaboration. Citing a federal grant program that aids in the planning of sustainable communities, Commissioner Garrett suggested that a similar program should be implemented at the state level.

On questioning, the following topics were discussed.

The Anti-Donation Clause. Commissioner Solis said the Governor's Office has expressed concerns about using public money to fund improvements on public roads; however, her understanding was that if public funds are being used to remedy public safety issues, there may not be a conflict with the Anti-Donation Clause of the Constitution of New Mexico.

Ground water. Mexico and New Mexico share the aquifer of the lower Rio Grande Basin. A cooperative relationship is needed to monitor how much water is being pumped and to ensure that the resource is being fairly shared. There are no intergovernmental agreements governing the pumping of the ground water. The aquifer is part of the state aquifer assessment. Bi-national planning for the use of the resource is critical because the success of Sunland Park, Santa Teresa and San Jerónimo is a regional concern.

Sunland Park's relationship with El Paso. Sunland Park sits on the border with Texas, and in some places, the state line runs through a building. Sunland Park does not have any official relationship with El Paso regarding law enforcement; each city only operates within its official jurisdiction.

Transportation from the port of entry. Sunland Park is hiring a consultant to explore transit options from the port of entry to Sunland Park. There may be an opportunity for charging tolls at the port of entry to help with funding. Juarez and Sunland Park have endorsed this plan. It is important to the entire state to develop transportation infrastructure to the border region to develop markets in Mexico for New Mexico goods.

Industrial park. The current industrial park benefits Sunland Park because growth of Sunland Park is created by people working in the industrial park. Sunland Park is primed to provide housing and commercial/shopping opportunities for those who work at the industrial park. Currently, many workers go home to El Paso, and New Mexico loses the economic benefit.

San Jerónimo. This community is being planned across the border and will receive the population expansion from Juarez. It is projected eventually to encompass 40,000 homes. It is adjacent to Foxconn, where Dell is building computers. Between 2,000 and 3,000 employees from Juarez work at the Foxconn plant each day.

Rio Grande Trail. Mount Cristo Rey could be a terminus for the long-distance Rio Grande Trail. The park needs development and infrastructure but could be a good connection.

Gambling tax. It was suggested that it could be beneficial to tie the gambling tax to economic development investment in the region.

Local Housing Availability and Demand

Juan Olvera, executive director, Mesilla Valley Public Housing Authority (MVPHA), Shelly Sanders, board chair, MVPHA, and Lorena Rivera, deputy director, MVPHA, reviewed their handout, providing an overview of the housing authority's history and work.

The panelists explained that the MVPHA provides housing for 6,000 New Mexicans through public housing units, multifamily units, low-income housing tax credit and non-subsidized units and the distribution of housing vouchers. The MVPHA manages four public housing locations with 248 low-rent public housing units throughout Las Cruces. Two of the locations are multifamily, and two of the locations serve elderly and disabled residents. The MVPHA has also been awarded 1,627 vouchers, including U.S. Housing and Urban Development (HUD) veterans affairs supportive housing program vouchers, Family Unification Program vouchers, non-elderly disabled vouchers, homeownership vouchers and regular Housing Choice Program vouchers. There has been \$6.6 million in HUD funding provided to landlords in 2017.

As to low-income housing tax credit developments, the MVPHA is the general partner in eight developments: two in Anthony, one in Hatch and the rest in Las Cruces. The MVPHA owns three affordable housing properties with a total of 58 units, including housing for homeless veterans. It was highlighted that the MVPHA has a cooperative relationship with the Mesilla Valley Community of Hope organization. The MVPHA provides office space for the Mesilla Valley Community of Hope, and the organization provides services to veterans.

As to current housing needs, the biggest challenge is meeting demand with very few resources. The county's affordable housing plan estimates the need for 4,300 subsidized rental units, 360 subsidized senior housing units and 400 permanent supportive housing units. With the occupancy rate of the MVPHA's properties ranging between 95 percent and 100 percent, there are wait lists for public and multifamily housing. The same is true for vouchers.

The MVPHA's main funding stream is from tax credits, though it also receives some local support from Las Cruces and from Dona Ana County. The panelists described the low-income housing tax credit program as being very competitive, and in past years, Dona Ana County was disadvantaged compared to other counties because it was not considered an area of "statistically demonstrated need" and thus was considered "Tier 2". However, Dona Ana County is now ranked as "Tier 1" and is on par with other counties in its ability to fund the development and rehabilitation of affordable housing units through the tax credit.

Lastly, the panelists described the proposed "Desert Hope" apartments project. This is a cooperative endeavor among the MVPHA, the Mesilla Valley Community of Hope and the City of Las Cruces to rehabilitate an existing MVPHA property to provide 36 units of permanent supportive housing for individuals experiencing homelessness. The estimated total development cost is \$3 million, nine percent of which will be funded by the low-income housing tax credit.

On questioning, the following topics were discussed.

Low-income housing tax credit. It was explained that the "statistically demonstrated need" for the low-income housing tax credit is determined by the county's population growth and housing stock vacancy rate.

Federal funding. Federal funding opportunities exist for new construction. However, a developer cannot obtain mortgages on public housing units built with federal money as the units are owned by the federal government.

Affordable housing needs. The county's affordable housing plan identifies a need for 4,300 units of subsidized housing. A consultant was hired and performed a year-long study on the issue. Affordable housing needs were determined by surveying property owners, looking at population growth and assessing the current state of housing availability. A member remarked that the affordable housing needs may be a conservative estimate because several families might be living together in one unit. Additionally, figuring out affordable housing needs may have problems similar to taking the census. Surveys are taken in the moment, but because conditions continue to compound, it is challenging to get a clear picture of what the conditions are, and surveys tend to underestimate the magnitude of the problem.

Wait lists for housing and vouchers. It was explained that people are put on the wait list for housing and vouchers, and when openings occur, it is determined if the person is eligible. Currently, there are 1,100 people on the wait list for vouchers, but it is uncertain whether all are qualified.

The committees additionally discussed what can be done at the state level to assist with meeting the housing demand and how housing has a beneficial impact on Medicaid and Medicare costs, crime and behavioral health.

Mission New Mexico: Affordable Housing Opportunities from the New Mexico Mortgage Finance Authority (MFA)

Jay Czar, executive director, MFA, and Teri Baca, homeownership representative, MFA, discussed with the committees the low-interest financing and grants that the MFA provides for affordable housing and related services.

Mr. Czar started the discussion by stating that homebuyer counseling is key as it contributes to low delinquency and foreclosure rates. He also said that there is high "millennial"

homeownership in New Mexico, which is not seen in other states. He opined that marketing could contribute to that trend but also that millennials are realizing that it makes more sense to buy than to pay rent, and there is a tradition in New Mexico of valuing homeownership.

Referring to a handout, Mr. Czar discussed the funding services that the MFA provides. In 2016, the MFA provided more than \$450 million in low-interest financing and grants for affordable housing and related services. The MFA provided \$316 million in mortgage loans and \$12 million in down-payment assistance. The down-payment assistance is very important because some homebuyers have adequate credit scores and income to purchase a home but do not have the funds for a down payment. The MFA also used \$7.4 million to rehabilitate or weatherize 1,770 homes, which represent a small percentage of the homes in the state that need weatherization.

Mr. Czar discussed how the MFA is funded and said that the MFA has \$586.1 million in estimated resources for 2017. Although state funding and appropriations comprise a small percentage of the MFA's overall funding, for every \$1.00 provided by the state, the MFA brings in \$24.00 from other sources. Private funding is obtained mostly from utility companies that support the weatherization programs. The major sources of funding are federal housing programs and private activity bond caps. It was emphasized that the MFA is not just about housing but also a driver of economic development through the labor, materials and supplies used in developing housing.

Mr. Czar next discussed the competitive and noncompetitive tax credits that the MFA administers. The MFA allocates approximately \$4.9 million in federal tax credits of nine percent each year through a competitive process. Through the noncompetitive process, four percent in credits is also available with tax-exempt bond financing. Mr. Czar said that the nine percent tax credit covers approximately 70 percent of the cost of a housing complex. Private investors, many of which are big companies, buy the credits to apply to projects. In the 2000 to 2016 period, \$9.9 million in low-income housing tax credit awards and 1,547 housing units were made in Dona Ana County, which comes out to approximately \$99 million invested in the county.

Noting that the Constitution of New Mexico allows for public support of private projects in the areas of economic development and affordable housing, Mr. Czar discussed the affordable housing tools available at the state level. First, the Affordable Housing Act allows local governments to donate resources, such as land, water, sewer, streets or financing, to affordable housing projects. To date, \$43 million has been donated, mostly to low-income housing tax credit projects. Second, New Mexico's affordable housing tax credit provides a 50 percent credit on state tax liability for private donations for affordable housing. Private donors and employers can receive up to 75 percent of their donations back in tax credits and deductions. Mr. Czar said that Habitat for Humanity is the biggest user of this tax credit.

Ms. Baca discussed opportunities for home-purchase financing with the MFA, noting that lack of a down payment is one of the major barriers to people purchasing a first home. The First

Home Program requires that a homebuyer have at least \$500 to invest and a minimum of six to eight hours of pre-purchase homebuyer counseling before getting a loan. The First Down Program, often used in conjunction with the First Home Program, offers up to \$8,000 in assistance for a down payment, closing costs, prepaid taxes and hazard insurance. Two other programs assist non-first-time homebuyers and work with the Federal Housing Administration, the VA, the USDA and housing finance agencies preferred conventional programs. Through the "Next Home" grant, a grant of three percent of the total loan amount is provided for closing costs or down payment, and no repayment of the grant is required. Additionally, none of the MFA's programs have a pre-payment penalty.

In closing, Ms. Baca discussed the market trends in New Mexico, stating that the MFA's loan activity has been steadily increasing over the past years. New Mexico's homeownership rate continues to be above the United States average, and home sales in New Mexico are trending up. She said that first-time homebuyers accounted for 45 percent of the purchase mortgages originated between 1994 and 2016, contributed 85 percent of the growth in the housing market in the past two years and are instrumental in the housing recovery. Fifty-seven percent of MFA loans were given to millennial homebuyers.

On questioning, the following topics were addressed.

Low-income housing tax credit. Questions were raised as to how these tax credits are administered. The panelists explained that private investors buy the nine percent credits, which will then cover 70 percent of the project over 10 years based on Internal Revenue Service calculations. The four percent credit is noncompetitive, and there is lots of funding available. With the four percent credit, usually about 35 percent of the project cost is paid. The nine percent credit is for construction and not for a rental subsidy. There are other tax credits for acquisition and rehabilitation as well. The nine percent tax credit program is highly competitive and is usually oversubscribed by two to three times the funding that is available. However, there is movement at the federal level to increase the available tax credits by 50 percent, which is supported by the New Mexico congressional delegation. It can cost between \$25,000 and \$50,000 to put together a comprehensive plan to apply for a tax credit. Often, a project has to be evaluated two to three times before an award is made. Additionally, the public or private entity using the tax credit has to make the numbers work. Costs have to be met on a monthly basis, but rents cannot be increased and the properties cannot just be sold to recoup investment costs.

In regard to tribal communities applying for the low-income housing tax credit, the panelists said that they have been incredibly competitive the last few years. The Pueblo of Zuni, the Pueblo of Laguna and the Mescalero Apache Tribe have all received tax credits. The MFA also created the Native American Housing Coalition, whereby all the Native American entities in the state that want to participate can provide training and capacity-building. The Native American housing authorities are gaining stature in terms of experience. Two people on the MFA staff are dedicated to working with these authorities, and there are special mortgage products on tribal land.

Local government contributions to affordable housing. A member asked how successful communities contribute to affordable housing development. The panelists remarked that, generally, communities donate land. For instance, in Albuquerque, cash and land were donated for a downtown parking structure. Communities also donate water, sewer, gutters, curbs and some equipment. Some donate entire facilities dedicated to affordable housing. The panelists suggested that the state create a fund similar to the fund for the LEDA for affordable housing. Communities donate their own resources to these projects, which necessarily diverts funds from other needs. A fund would help ensure that money is properly spent on the needs of these important housing developments.

Section 8. A committee member asked about the MFA tracking the move of people from federal Section 8 housing into homebuyer programs. The panelists explained that many participate in homebuyer counseling and education programs, but it sometimes takes years for someone to become eligible to buy a home. The MFA provides information about its programs through managers and its community partners. Some of these partners, such as the MVPHA, provide workshops with expert speakers.

Adjournment

There being no further business before the committees, the fourth meeting of the ERDC and the fourth meeting of the Mortgage Finance Authority Act Oversight Committee for the 2017 interim adjourned at 3:38 p.m.

Revised: September 29, 2017

**TENTATIVE AGENDA
for the
FIFTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**October 2, 2017
Hernandez Community Center
19418 A U.S. Hwy. 84/285
Hernandez**

**October 3, 2017
Rio Arriba County Senior Citizen Center
2449 U.S. Hwy. 84/64
Chama**

Monday, October 2 — Hernandez Community Center, Hernandez

- 9:00 a.m. **Call to Order and Introductions**
—Senator Benny Shendo, Jr., Chair
- 9:10 a.m. (1) **Welcome**
—David Trujillo, Deputy County Manager, Rio Arriba County
—Alex M. Naranjo, Commissioner, Rio Arriba County Commission
—Chris Madrid, Director of Economic Development, Rio Arriba County
—Barney Trujillo, Commissioner, Rio Arriba County Commission
- 9:45 a.m. (2) **New Mexico's Legal Environment for Businesses**
—Grace Philips, General Counsel, New Mexico Association of
Counties (NMAC)
—Brian Moore, Lobbyist, NMAC
—Quinn Lopez, Co-Chair, Workplace Issues and Legal Reform Policy
Committee; Director, New Mexico Association of Commerce and
Industry
—Minda McGonagle, American Tort Reform Association and National
Federation of Independent Business
- 11:15 a.m. (3) **Supporting Small Businesses Through Government Procurement**
—Chris Weil, President and Owner, Weil Construction
—Lonnie Cruz, President and Owner, Colt Builders
—Roxanne Rivera-Weist, President, Associated Builders and Contractors
New Mexico Chapter
—Lawrence Maxwell, State Purchasing Agent, General Services
Department
- 12:15 p.m. **Lunch**
- 1:10 p.m. **Approval of Minutes**

- 1:15 p.m. (4) [Native Fuel Tax](#)
—Teresa Leger, Attorney, Leger Law & Strategy LLC
—Carolyn Abeita, Attorney, Native American Petroleum Coalition
—Regis Pecos, Senior Policy Analyst for the Office of the House Majority Floor Leader, New Mexico Legislature
- 2:45 p.m. (5) [Jobs Council Retirement Attraction Initiative](#)
—John Garcia, Executive Vice President, Home Builders Association of Central New Mexico
—Charles Lehman, Staff Consultant, Jobs Council (2016 Interim)
- 3:45 p.m. **Public Comment**
- 4:00 p.m. **Recess**

Tuesday, October 3 — Rio Arriba County Senior Citizen Center, Chama

- 9:00 a.m. **Reconvene — Introductions**
—Senator Benny Shendo, Jr., Chair
- 9:10 a.m. (6) [Welcome; Village of Chama Economic Development Priorities](#)
—Billy Elbrock, Mayor, Village of Chama
—Tomas Campos, County Manager, Rio Arriba County
—Danny Garcia, Chair, Rio Arriba County Commission
- 9:45 a.m. (7) [Jicarilla Apache Nation: State of the Nation and Wildlife Program](#)
—Levi Pesata, President, Jicarilla Apache Nation
—Kyle J. Tator, Jicarilla Apache Nation Wildlife Program
- 10:45 a.m. (8) [Cultivating Economic Growth Through New Mexico's Movie Industry](#)
—Jessa Grazioplene, Director of Operations and Business Affairs, Albuquerque Studios
—Crystal McAlerney, President and Owner, Studio Concierge
—Bill Waltman, Owner, HRO Enterprises
—Dominic Quintana, Manager, Ahern Rentals
—Jack R. Smith, Sales Manager, Ahern Rentals
- 11:45 a.m. (9) [Cumbres and Toltec Scenic Railroad Capital Outlay Needs](#)
—Billy Elbrock, New Mexico Commissioner, Cumbres and Toltec Scenic Railroad Commission
—Richard Cowles, New Mexico Commissioner, Cumbres and Toltec Scenic Railroad Commission
—John Bush, General Manager, Cumbres and Toltec Scenic Railroad
—Kim Smith-Casford, Community Liaison, Cumbres and Toltec Scenic Railroad
- 12:30 p.m. **Public Comment**
- 12:45 p.m. **Adjourn**

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

**October 2, 2017
Hernandez Community Center
Hernandez**

**October 3, 2017
Rio Arriba County Senior Citizen Center
Chama**

The fifth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Senator Benny Shendo, Jr., chair, on October 2, 2017 at 9:19 a.m. at the Hernandez Community Center in Hernandez.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Debbie A. Rodella, Vice Chair
Sen. Jacob R. Candelaria (10/2)
Rep. Rebecca Dow
Sen. Ron Griggs (10/2)
Rep. Rick Little
Sen. Richard C. Martinez
Rep. Matthew McQueen
Sen. John Pinto
Rep. Jane E. Powdrell-Culbert
Rep. Nathan P. Small

Absent

Rep. Tim D. Lewis
Rep. Patricia A. Lundstrom
Sen. Michael Padilla
Rep. Candie G. Sweetser
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon
Rep. Gail Armstrong
Rep. Alonzo Baldonado (10/2)
Rep. Kelly K. Fajardo (10/2)
Rep. David M. Gallegos
Rep. Bealquin Bill Gomez
Rep. Sarah Maestas Barnes (10/2)
Rep. William "Bill" R. Rehm
Sen. Elizabeth "Liz" Stefanics (10/2)
Sen. Bill Tallman (10/3)

Sen. Craig W. Brandt
Sen. William F. Burt
Rep. George Dodge, Jr.
Rep. Joanne J. Ferrary
Rep. Yvette Herrell
Rep. D. Wonda Johnson
Sen. Carroll H. Leavell
Rep. Rod Montoya
Sen. Mark Moores
Sen. Mary Kay Papen
Rep. Patricia Roybal Caballero
Rep. Angelica Rubio

Rep. Patricio Ruiloba
Rep. Nick L. Salazar
Sen. William E. Sharer
Rep. James E. Smith
Rep. Linda M. Trujillo
Rep. Bob Wooley
Rep. Monica Youngblood

(Attendance dates are noted for members not present for the entire meeting.)

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.

Monday, October 2 — Hernandez Community Center, Hernandez

Call to Order — Introductions

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

Welcome

Tomas Campos, county manager, Rio Arriba County; Barney Trujillo, commissioner, Rio Arriba County Board of Commissioners; Chris Madrid, director of economic development, Rio Arriba County; David Trujillo, deputy county manager, Rio Arriba County; and Thomas Romero, executive director, Northern Rio Grande National Heritage Area, welcomed the committee and discussed current and future economic development initiatives in the county, including:

- a certified nurse assistant certificate program offered by Luna Community College, which is a two-week program that provides entry-level training leading to jobs in health care;
- an expanded substance abuse center in Velarde to address the opioid crisis;
- a partnership with the City of Espanola and private entities to develop the Hunter Arts and Agricultural Center, similar to Green Jeans Farmery in Albuquerque;
- a new wastewater system in Tierra Amarilla;
- a state forest grant for forest thinning; and

- a public-private partnership to develop the Northern Rio Grande National Heritage Area.

It was also noted that Rio Arriba County is the second-highest natural gas producer in the state, but natural gas extraction is not a steady industry, so it is necessary to diversify the economy. A continuing issue is the availability of broadband, which is a necessity for twenty-first century economic development.

New Mexico's Legal Environment for Business

Grace Philips, general counsel, New Mexico Association of Counties (NMAC), and Brian Moore, lobbyist, NMAC, described two primary legal issues that affect counties specifically and the business climate generally in New Mexico: the Whistleblower Protection Act (WPA) and the Fair Pay for Women Act (FPWA). Ms. Philips noted that these laws were passed with good intentions but that the details of the laws have serious consequences.

The WPA protects public employees from retaliation by their employers for disclosing an act, or a failure to act, by a public employer, which act the public employee believes in good faith is an unlawful or improper act. New Mexico's WPA applies to all state and local government entities and some public officers; it does not apply to federal or private employers. The WPA has a low standard for actionable complaints, and the procedures for complaining, combined with extraordinarily high penalties (actual damages, two times the amount of back pay with interest, special damages, costs and attorney fees, plus 15% interest on appeal), result in most cases being settled. In the past six years, \$31 million was paid out by public employers under the WPA. The NMAC does not want the WPA repealed, but it strongly supports some amendments to balance the interests of government employers with the interests of employees, including a higher standard for proving retaliation against those who report government corruption or wrongdoing, better defining the individuals to whom a complaint may be communicated and reducing available damages.

The FPWA, despite its name, is gender-neutral. It prohibits all employers, public and private, with four or more employees from paying different wage rates to men and women who work in the same establishment under similar working conditions and who perform work requiring equal skill, effort and responsibility. An employer may pay men and women different wages as long as the wage differential is based on a seniority or merit system or a system that measures earnings based on the quality or quantity of production. Employees may bring their wage discrimination claims directly to state court without exhausting administrative remedies first, and they have up to two years from their last date of employment to file suit. Because of this, an employee may have left employment up to two years before filing suit, and the employer has had no notice of a discriminatory pay grievance. Damages can be unpaid wages for the employment period times three (triple damages), plus costs and attorney fees. Even for very small awards, the total liability for the employer can be huge.

The NMAC fully supports New Mexico's very progressive antidiscrimination laws but strongly believes that some amendment is necessary to be fair to employers as well as employees. The penalties are so high that they attract lawsuits even for minor infractions, and because of the cost of litigation, they force settlement even when the employer believes it is not at fault. Insurance premiums are increasing, and the availability of insurance to protect against liability for employee discrimination claims is decreasing. The problem affects every employer in the state with four or more employees; some small grocery stores are unable to purchase liability insurance at all. In the case of both the WPA and the FPWA, one amendment that would make a big difference is requiring exhausting administrative remedies before filing a suit in court, which would require employees to come forward sooner and allow employers the opportunity to correct the complained-of action if appropriate.

Quinn Lopez, co-chair, Workplace Issues and Legal Reform Policy Committee, and director, New Mexico Association of Commerce and Industry, asserted that the workers' compensation system has become skewed toward workers at the expense of employers, resulting in higher premiums that are unaffordable for some small businesses. New Mexico has the twentieth-highest premiums in the country.

Minda McGonagle, American Tort Reform Association and National Federation of Independent Business, remarked that the U.S. Chamber Institute for Legal Reform (ILR) publication, "101 Ways to Improve State Legal Systems", has good suggestions for the legislature to consider. She noted that the ILR's "2017 Lawsuit Climate Survey Ranking the States" places New Mexico in the middle, neither best nor worst of states on a variety of issues. She commented that lawyers and the legal process are necessary to enforce laws, but filing a lawsuit against a person is an accusation of wrongdoing, and settlement is seen as a loss in the public's view. Litigation is time-consuming and expensive, and most small businesses cannot afford to litigate legal issues.

Questions, comments and discussion from committee members included:

- the role of human resources policies and procedures in bringing and settling lawsuits;
- the notion that summary judgment motions are disfavored in state court;
- the standards in state and federal court for a frivolous lawsuit; and
- the cultural differences between judges being elected in state court and appointed at the federal level.

Supporting Small Businesses Through Government Procurement

Chris Weil, president and owner, Weil Construction, referring to his handout, "Support for New Mexico Small Business, A Construction Industry Perspective", opined that the current public procurement system benefits a few large companies at the expense of small businesses, particularly in the construction industry, and stifles the growth of small businesses. Although New Mexico is experiencing a construction boom, and construction jobs are now at mid-2009 levels, the boom is due to a handful of large projects, and larger firms are now bidding on smaller

projects that in earlier years they would have left to the smaller construction firms. The result is that the large firms are achieving record volume and smaller firms are struggling to survive.

One area where the legislature could support smaller construction companies is in the procurement process. The current process, which requires a request for proposals (RFP) that demonstrates qualifications and quotes a price to bid on public construction projects, can effectively preclude participation by smaller construction companies because proposals are prohibitively expensive to develop. Most smaller companies do not have marketing divisions to assemble proposals as larger firms do. Relating an experience he had with a response to an RFP for school construction, Mr. Weil said that he tied with another bidder on total points. He was the low bidder, but the other bidder had higher project points. On debriefing, he was told that the other bidder won the contract because its marketing presentation was better. The winning bidder went over budget and subcontracted all of the work.

Two actions that would make the procurement process more welcoming to participation by smaller construction firms are pre-qualifying contractors based on standard and objective evaluations of bonding capacity, financial health, personnel, experience and references, followed by an award based on the best responsible price proposed by a pre-qualified contractor.

Lonnie Cruz, president and owner, Colt Builders, referred to his handout, "Challenges for New Small Business", and discussed with the committee that, as a new business, he is at a disadvantage in the procurement process. Although Mr. Cruz has personal experience with projects up to \$10 million, his company is not able to bid on these projects because the company does not have a history of such projects. He suggested that public bodies should allow companies to work on projects up to the amount for which they are bonded and should subject projects under \$1 million to a regular bid process instead of requiring a costly RFP.

Roxanne Rivera-Weist, president, Associated Builders and Contractors, New Mexico Chapter, referred to her handout, "Building America, the Merit Shop Scorecard, A Review and Ranking of State Construction Environments". She pointed out that New Mexico is graded D or F on the measures for government-mandated project labor agreements, called PLA mandates; the prevailing wage; right to work; public-private partnerships; workforce development; career and technical education; and the job growth rate. She suggested that the issues that would deliver the most bang for the public buck are expansion of public-private partnerships, workforce development and career and technical education.

Questions, comments and discussion from committee members included:

- the need to bring trades back into the education system and to encourage younger generations to enter the construction trades because there is a lack of qualified, trained individuals in New Mexico; and
- how the RFP process uses various factors to determine which company is awarded a bid as opposed to only a low bid driving the award.

Native Fuel Tax

Carolyn Abeita, attorney, Native American Petroleum Coalition, and Teresa Leger, attorney, Leger Law & Strategy, LLC, referring to the handout, "Dual Taxation, New Mexico's Tribal State Solution: 'Tax Peace'", provided legal background on the tribal state tax situation.

A 1982 U.S. Supreme Court case, *Merrion v. Jicarilla Apache Nation*, recognized that "the power to tax is an essential attribute of Indian sovereignty because it is a necessary instrument of self-government and territorial management...[It derives] from a tribe's general authority as a sovereign, to control economic activities within its jurisdiction, and to defray the cost of providing governmental services...". New Mexico tribes have exercised their taxation power to impose taxes on fuel sold, and on minerals such as oil and gas extracted, on tribal lands. The state also imposes severance taxes on oil and gas extracted on tribal lands, resulting in a system of dual taxation of oil and gas extracted on tribal lands.

In 1982, a non-Indian company, Cotton Petroleum, which was drilling for oil and gas on Jicarilla tribal lands, sued the state, claiming that state severance taxes were preempted by federal law. The case worked its way through various courts until, in 1989, the U.S. Supreme Court held that the company had to pay both state and tribal severance taxes. In a different case involving regulation and taxation of timber on tribal lands in Arizona that was decided around the same time, the U.S. Supreme Court came to the opposite conclusion. After the Cotton Petroleum case was decided, drilling on Jicarilla tribal lands dropped significantly, and tribal and state revenues suffered because no severance taxes were being paid to either the tribe or the state. Instead of relitigating in light of the Arizona case, the tribe sought cooperation with the state and corresponding legislation. In 1995, the legislature passed laws governing intergovernmental tax credits. The statutes impose a single tax on new oil and gas wells, with the revenues from the tax being apportioned 75 percent to the tribe and 25 percent to the state. Even with the credit to the tribes, the state received over \$56 million in severance taxes from drilling on tribal lands in the last five years.

Although tribal agreements with the state regarding taxation date back to 1995, the Native American Petroleum Coalition, whose membership includes all New Mexico tribes, was established in 2001 to jointly address fuel tax issues with the state. The tribes and the state have committed to fuel tax policies that honor the tribes' sovereignty and benefit the state by providing accurate reporting of fuel sales. The solution to dual taxation is referred to by the U.S. Department of Transportation as "tax peace". The tax peace solution allows tribes to enact and administer their own fuel tax. Under the regulatory framework established in the intergovernmental tax credits statutes, a tribal fuel tax in the same amount as the state's fuel tax is collected on all gallons distributed to retailers on tribal lands, and the distributors report tribal fuel sales to the state, showing how much fuel was sold to tribal retailers and showing proof that they paid the tribes' fuel tax. Tribes retain all revenue from fuel sales on tribal lands.

New Mexico's tax peace has been cited by numerous sources as a model for state-tribal relations, and it has broad support in the state. A recent legislative proposal would change that structure and impose the state gasoline tax on tribal gas stations. To avoid the loss of revenue that would accompany imposition of dual taxation on fuel sold on tribal lands, the Native American Petroleum Coalition proposes a tax credit similar to the severance tax credit.

Regis Pecos, senior policy analyst for the Office of the House Majority Floor Leader, New Mexico Legislature, provided a summary of the legal development of the tribal sovereignty doctrine, beginning with an 1883 federal law prohibiting the free exercise of religion by Native Americans, including laws appropriating Native American lands, attempting to force Native American children to assimilate into non-native culture through required attendance at federally run boarding schools, prohibiting native people from voting and, finally, in 1950, attempting to terminate the status of Indian nations. Beginning in 1970, the federal government recognized education as a basic right, and by the early 1980s, the U.S. Supreme Court also affirmed the right to health care and the power to tax.

Questions, comments and discussion from committee members included:

- how the gas tax is tied to land over which the tribe has jurisdiction, such as tribal trust land, and not to land owned by a tribe in fee simple;
- how approximately \$12 million is generated for tribes by the gas tax; and
- that 20 tribes, including the Navajo Nation, Jicarilla Apache Nation, Mescalero Apache Tribe and 17 pueblos, have gas stations.

Jobs Council Retirement Attraction Initiative

John Garcia, executive vice president, Home Builders Association of Central New Mexico and former New Mexico secretary of economic development, told the committee that New Mexico is a great place to retire, but the state does not market itself as a retirement destination. Charles Lehman, staff consultant, Jobs Council (2016 interim), referring to his handout, "Retire in New Mexico", described a proposed "Retirement Attraction Economic Development Initiative". Despite New Mexico's advantages in the cost of living, weather, natural attractions, culture, events and property taxes, New Mexico is not known as a retirement destination. A publicity campaign entitled "Retire New Mexico" is proposed that would parallel the New Mexico True campaign. The campaign would establish a "RetireNM.com" website and create a "certified retirement community" designation that would rate infrastructure, recreation and medical facilities of communities hoping to attract retirees. Legislation that would study the costs and benefits of exempting pension income from state income tax should be introduced.

Mr. Garcia requested committee endorsement of an appropriation of \$100,000 to develop a marketing plan for the campaign.

Questions, comments and discussion from committee members included:

- the quality of health care available in rural areas of the state and incentives to attract doctors to non-urban areas;
- what other states are doing to attract retirees; and
- how even though New Mexico taxes social security, the overall tax burden in New Mexico is less than in other states.

Recess

The committee recessed at 4:03 p.m.

Tuesday, October 3 — Rio Arriba County Senior Citizen Center, Chama

Reconvene — Introductions

Senator Shendo reconvened the meeting at 9:13 a.m. and welcomed members of the committee and guests. Committee members and staff introduced themselves.

Welcome; Village of Chama Economic Development Priorities

Billy Elbrock, mayor, Village of Chama, explained that he was appointed mayor at the beginning of September 2017. Mr. Elbrock introduced Mayor Pro Tem Scott Flury.

Mr. Flury commented that Chama and Dulce provide mutual support. Dulce is the tribal headquarters and largest community of the Jicarilla Apache Nation. The tribe is the biggest employer in the area, so many people live in Chama and work in Dulce. A free "blue bus" service between Chama and Dulce just started on Monday, October 2.

Clayton Ten Eyck, P.E., vice president, Water Resources, Molzen Corbin Engineers/Architects/Planners, referring to his handout, described the nearly completed wastewater treatment plant. The previous wastewater system, installed in the early 1980s, consisted of a series of lagoons that had become insufficient to process the waste generated by the village and that did not meet the standards for discharge into the Rio Chamita. The new system has a capacity of 250,000 gallons per day, protects the area water quality and within a couple of months should be producing high-quality effluent. The new system is approximately 92 percent complete. As of September 30, all of the sewage in the city is running through the new system. By the end of October or beginning of November, Molzen Corbin will turn over operation of the system to the village. The wastewater treatment plant has four full-time employees. Current sewer rates are \$4.00 per month, which will be raised to \$8.00 per month in March 2018.

Mr. Campos commented that small communities have a smaller tax base but the same infrastructure needs as larger communities, so they often need more state infrastructure support. The Cumbres and Toltec Scenic Railroad (CTSR), which is state-owned, is a vital economic

component of the area. It is a big tourist draw, generating substantial income for area businesses, including lodging and restaurants.

There was general discussion about some of the challenges the village faces. Tourism is its primary economic driver, but the Tourism Department recently closed the visitor center on weekends without consulting with the community and later closed it altogether because it did not generate enough tourist traffic to justify the expense of keeping it open. The village reopened it on a seven-day-a-week schedule and had 14,000 visitors. A local state park lake only allows veterans, seniors over age 60 and children under age 12 to fish there. Chama is the number-one hunting destination in the state, but the state does not allow hunters to use motorized vehicles to pack animals out; elk may weigh several hundred pounds.

Jicarilla Apache Nation: State of the Nation and Wildlife Program

Levi Pesata, president, Jicarilla Apache Nation, remarked that the nation is a major contributor to the economic base of the area. The tribe has its own power company that provides electricity and jobs. It is located in an area rich with natural gas, and the tribe is considering developing natural gas drilling. The game and fish operation is also a big contributor to the local economy. President Pesata introduced Eudane Vicenti, director, Jicarilla Game and Fish Department, and Kyle J. Tator, Jicarilla Apache Nation Wildlife Program.

Referring to his handout, "Jicarilla Apache Nation Wildlife Program", Mr. Tator described the program's history and mission. Today, the program has four divisions — law enforcement, parks and recreation, wildlife and fisheries management and administration — that together are responsible for conservation, management and law enforcement. The Jicarilla Apache Nation is the first Indian nation to conduct in-house, management-based wildlife research to support its mission, and the nation is known for high-quality fish and game management.

Questions, comments and discussion from committee members included:

- predator control is site-specific. Poachers are addressed by the law enforcement division of the Jicarilla Game and Fish Department. Predators are managed as necessary. The department's goal is not to eliminate predators, but to manage them to protect the wildlife for hunting;
- elk on private property is a recurring issue. If an elk is pursued by a hunter onto private land, the appropriate procedure is to call the nation's central office, which will dispatch a conservation officer to help the hunter get the elk. The same procedure is available to private property owners who encounter trespassing elk; and
- the department spends a lot of time making sure the habitat is as healthy as possible to support wildlife for hunting and fishing. Fencing is built for livestock and must be friendly to wildlife, allowing natural migration.

Cultivating Economic Growth Through New Mexico's Movie Industry

Jessa Grazioplene, director of operations and business affairs, Albuquerque Studios, told the committee that the film industry provides a lot of resident jobs. Currently, there are 1,500 people working on Albuquerque Studios' 28-acre property on various productions. Vendors are also local. Income not directly associated with the industry, such as housing and groceries for resident workers, is also important to the community. The tax incentive program is a big draw for the industry, which is extremely sensitive to any changes. Her handout, "New Mexico's 25% to 30% Refundable Film Production Tax Credit", based on statistics from the New Mexico Film Division of the Economic Development Department, shows the increasing importance of the film industry to New Mexico's economy and illustrates the effects of the changes to the film tax credit. In 2013, the phones stopped ringing when the incentive was capped, and Albuquerque Studios nearly had to close. When the incentive was increased by a small percentage, the phones started ringing again the next day. Certainty of the availability of the incentive is crucial to decisions made about where to locate a production. Every time there is talk about changing the incentive, the local industry loses business statewide almost immediately.

Crystal McAlerney, president and owner, Studio Concierge, explained that her business is basically a travel agent for the film industry. She finds hotels and related services for out-of-state crews and finds talent for productions. This summer, she had to lay off employees for the first time, but she is slowly hiring them back as business picks up.

Jack R. Smith, sales manager, Ahern Rentals, told the committee that Ahern Rentals started as a traditional construction business, but it partnered with film production companies 10 years ago and now has an entertainment division with 30 employees that exclusively serves the film industry. He said that without the film industry, the company would be hurting because construction is still depressed.

All of the presenters agreed that when the industry hits the tax incentive cap, they will lose business, and if the cap is increased, business will also increase. Other states have adopted various film incentives to lure the industry. For instance, Georgia does not have a cap, and it provides a 30 percent tax credit. New Mexico's incentive is a tax deduction. The Georgia film industry is growing steadily.

CTSR Capital Outlay Needs

Mr. Elbrock, New Mexico commissioner, CTSR Commission, introduced the panel.

Richard Cowles, New Mexico commissioner, CTSR Commission, said that 2017 bookings are seven percent higher than this time last year. Referring to the handout, "Analysis of C&TSRR Funding", he explained that the CTSR has four sources of funding: revenues from passengers and train operations; grants and appropriations from the states of New Mexico and Colorado; federal grants; and grants from private institutions and individuals. The 1977 agreement between New Mexico and Colorado provides that each state has a one-half interest in the train and is obligated to contribute equally to maintenance, purchase of additional property

and payroll. Between 2004 and 2010, New Mexico provided the bulk of the funds for the CTSR, but since 2013, Colorado has appropriated \$2.00 for every \$1.00 from New Mexico. This continuing disparity is stalling the commission's plans to achieve self-sufficiency and may lead to off-season layoffs of key staff.

However, also since 2013, the CTSR has realized sufficient revenue from its train operations to show a small and continuing operating profit that supports increasing the marketing budget. Annual ridership is projected to increase three to five percent in the coming decade. A *USA Today* poll voted the CTSR the best train in the country and the best tourist attraction in New Mexico. It is a National Historic Landmark, and the goal is to become a UNESCO World Heritage Site.

The CTSR's ongoing 10-year self-sufficiency plan is dependent on marketing programs to increase ridership at a three to five percent annual rate and on completion of major track and equipment upgrade programs. The upgrades are dependent upon continuing state funding until they are completed. An economic impact report performed by BBC Research & Consulting in 2014 found that the CTSR had a positive economic impact of \$15 million annually on the region.

John Bush, general manager, CTSR, referring to the handout, "Cumbres & Toltec Scenic Railroad Ongoing Capital Programs", emphasized that maintenance of the locomotives and track is mandated by federal regulations. The locomotives must be continuously maintained, and a comprehensive upgrade of the track is now 75 percent complete but is delayed because of a lack of funding. Deferred maintenance means costs increase the longer the maintenance is put off. The passenger cars are also in need of upgrading. The CTSR needs a recurring annual appropriation of \$1.3 million from both New Mexico and Colorado to keep a stable workforce of skilled labor to continue the maintenance and upgrading of the train. The train only operates five and one-half months a year, and maintenance and upgrades in the off season are what keep people employed year round.

Public Comment

Olivia Reid, a member of the community, suggested that the El Rito campus of Northern New Mexico College be used for a treatment and rehabilitation center for youth, similar to Delancey Street.

Adjournment

There being no further business before the committee, the fifth meeting of the ERDC for the 2017 interim adjourned at 12:24 p.m.

Revised: November 3, 2017

**TENTATIVE AGENDA
for the
SIXTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**November 6-7, 2017
State Capitol, Room 307
Santa Fe**

Monday, November 6

- 9:00 a.m. **Call to Order and Introductions**
—Senator Benny Shendo, Jr., Chair
- 9:15 a.m. (1) **Broadband Expansion in Rural New Mexico**
—Katherine Martinez, Director, Legislative Affairs, CenturyLink
- 10:00 a.m. (2) **Small Cell Technology and the Wireless Consumer Advanced
Infrastructure Investment Act**
—Terri Nikole Baca, Director of External Affairs, AT&T
—De O’Roark, General Counsel, Verizon
- 11:00 a.m. (3) **Jobs Council Initiatives and Legislative Recommendations**
- **Employability Soft Skills Programs**
—Charles Lehman, Director, Employment and Economic Information
Center of New Mexico
—Erin Hagenow, President, Junior Achievement of New Mexico
—Kay Provolt, State Director, Jobs for America's Graduates-New
Mexico
 - **Department of Information Technology (DOIT) Office of Broadband
and Geospatial Initiatives: Broadband for Business Study**
—Estevan J. Lujan, Deputy Secretary, DOIT
—Maria R. Sanchez, General Counsel, DOIT
 - **Solo-Worker Program Update**
—Mark Lautman, Principal, Community Economics Laboratory
—Paul Hamrick, Managing Associate, Community Economics Laboratory
- 12:30 p.m. **Working Lunch**

- 12:45 p.m. (4) [**Taxation and Regulation of Recreational Cannabis**](#)
—Emily Kaltenbach, Senior Director for National Criminal Justice Reform Strategy and New Mexico State Director, Drug Policy Alliance
- 1:45 p.m. (5) [**State Apprenticeship Council \(SAC\)**](#)
—Charles Humiston, Chair, SAC; Apprenticeship Director, Electrical Apprenticeship, New Mexico Joint Apprenticeship and Training Committee
—Richard Meyer, Board Member, SAC; Business Manager, Iron Workers Local 495
—Greta Schouman, Board Member, SAC; Apprenticeship Director, New Mexico Chapter, Associated Builders and Contractors, Inc. (ABC)
—John Gallegos, Plumbing Graduate of ABC, Rodgers Plumbing and Heating, Inc.
—Johnnie Sanchez, Fourth Year Plumbing Apprentice, Rodgers Plumbing and Heating, Inc.
- 2:45 p.m. (6) [**Public Regulation Commission: Regulation of Renewable Energies**](#)
—Patrick H. Lyons, Commissioner, District 2, Public Regulation Commission
- 3:30 p.m. (7) [**Burrell College of Osteopathic Medicine**](#)
—George Mychaskiw, D.O., Dean, Burrell College of Osteopathic Medicine
—Oliver W. Hayes, D.O., F.A.C.E.P., Senior Associate Dean for Clinical Education, Burrell College of Osteopathic Medicine
- 4:30 p.m. **Approval of Minutes**
- 4:45 p.m. **Public Comment**
- 5:00 p.m. **Recess**

Tuesday, November 7

- 9:00 a.m. **Reconvene**
—Senator Benny Shendo, Jr., Chair
- 9:10 a.m. (8) [**The Escalante Generating Station: House Memorial 72 \(2017\) Report**](#)
—Jeff Kiely, Executive Director, Northwest New Mexico Council of Governments
—Eileen Yarborough, Executive Director, Cibola Communities Economic Development Foundation
—Michael Sage, Deputy Director, Greater Gallup Economic Development Corporation

- 10:10 a.m. (9) [Workforce Solutions Department \(WSD\) Current and Proposed Programs](#)
—Celina Bussey, Secretary, WSD
- 11:10 a.m. (10) [Status Update on the Rapid Workforce Development Fund](#)
—Barbara Brazil, Deputy Secretary, Economic Development Department (invited)
—Dr. Barbara Damron, Secretary, Higher Education Department (invited)
—Celina Bussey, Secretary, WSD
- 12:00 noon **Lunch**
- (11) [Consideration of Proposed Legislation for Committee Endorsement](#)
1:15 p.m. —Appropriation for New Mexico-Grown Fresh Fruits and Vegetables
1:45 p.m. —Appropriation for Colfax County Aquifer Mapping
2:15 p.m. —Frontier Village Investment and Development Memorial
2:45 p.m. —Appropriations for Jobs Council Initiatives
3:15 p.m. —TBD
3:45 p.m. —TBD
- 4:15 p.m. **Public Comment**
- 4:30 p.m. **Adjourn**

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

**November 6-7, 2017
State Capitol, Room 307
Santa Fe**

The sixth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Senator Benny Shendo, Jr., chair, on November 6, 2017 at 9:10 a.m. in Room 307 of the State Capitol.

Present

Sen. Benny Shendo, Jr., Chair (11/6)
Rep. Debbie A. Rodella, Vice Chair
Sen. Jacob R. Candelaria (11/6)
Rep. Rebecca Dow
Rep. Rick Little
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez (11/7)
Rep. Matthew McQueen
Sen. Michael Padilla (11/7)
Sen. John Pinto
Rep. Jane E. Powdrell-Culbert
Rep. Nathan P. Small (11/6)
Rep. Candie G. Sweetser (11/7)
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon (11/7)
Rep. Alonzo Baldonado (11/7)
Sen. Craig W. Brandt
Rep. Kelly K. Fajardo (11/7)
Rep. Joanne J. Ferrary
Rep. David M. Gallegos (11/6)
Rep. Bealquin Bill Gomez
Rep. Sarah Maestas Barnes (11/6)
Rep. Rod Montoya (11/7)
Sen. Mary Kay Papen
Rep. William "Bill" R. Rehm
Rep. Patricia Roybal Caballero (11/6)
Rep. Nick L. Salazar

Absent

Sen. Ron Griggs
Rep. Tim D. Lewis

Rep. Gail Armstrong
Sen. William F. Burt
Rep. George Dodge, Jr.
Rep. Yvette Herrell
Rep. D. Wonda Johnson
Sen. Carroll H. Leavell
Sen. Mark Moores
Rep. Angelica Rubio
Rep. Patricio Ruiloba
Sen. William E. Sharer
Rep. Monica Youngblood

Rep. James E. Smith
Sen. Elizabeth "Liz" Stefanics
Sen. Bill Tallman (11/7)
Rep. Linda M. Trujillo
Rep. Bob Wooley (11/7)

(Attendance dates are noted for members not present for the entire meeting.)

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
Kathleen Dexter, Researcher, LCS
Rebecca Griego, Staff, LCS

Minutes Approval

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Monday, November 6

Call to Order — Introductions

Senator Shendo called the meeting to order. Committee members introduced themselves.

Broadband Expansion in Rural New Mexico

Katherine Martinez, legislative affairs director, CenturyLink, reported on CenturyLink's efforts to expand high-speed internet to unserved and underserved areas of the state.

Funding for the expansion has come from the federal Connect America Fund (CAF), a program of the Universal Service Fund. With these funds, CenturyLink will invest more than \$10.9 million annually through 2020 to upgrade or establish broadband service to more than 25,000 homes and businesses. As of June 2017, CenturyLink had completed 40 percent of the connections slated for the project, installing service that meets a "10 down one up" standard — 10 megabits per second (Mbps) for downloads and one Mbps for uploads. One challenge in the expansion is rights of way; some areas have a patchwork of broadband access because rights of way have been difficult to secure.

Ms. Martinez spoke in support of enacting a gross receipts tax deduction for broadband equipment, citing North Dakota's 200 percent increase in investment by wireless companies

following enactment of a similar deduction. She noted the role that high-speed internet plays in fostering economic development and creating jobs, both of which are critical for rural areas of New Mexico.

Discussion and comments from Ms. Martinez and committee members included the following.

- The United States Census Bureau uses census blocks to determine if an area is "rural", "unserved" (downloads at one Mbps or less) or "underserved" (downloads at five Mbps); some underserved areas are not rural; the proposed bill for a broadband equipment tax deduction is based on speed, not on whether an area is rural; some property developments have been stalled due to lack of broadband service.
- CenturyLink is working with the federal government on cybersecurity issues; the New Mexico Institute of Mining and Technology and New Mexico National Guard are working on cybersecurity issues; the Department of Information Technology (DoIT) does not have a cybersecurity plan in place.
- Fiber-optic is the fastest transmission line and is not projected to become obsolete; the cost for installation is \$76,000 to \$125,000 per mile, including rights of way.
- Projects funded by the CAF must be built to Federal Communications Commission (FCC) standards in FCC-defined areas; if a service provider does not accept CAF funding, the service area is auctioned to other providers.

Small Cell Technology

Terri Nikole Baca, director of external affairs, AT&T; De O'Roark, general counsel, Verizon; Representative Smith; and Senator Candelaria gave a presentation on 5G, or small cell, technology and presented a bill to facilitate 5G deployment in the state.

In contrast to the current 4G telecommunications technology, which uses large antennas mounted on stand-alone towers for signal transmission, 5G networks use small antennas mounted on existing vertical structures such as street lights and utility poles. Ms. Baca noted that a 5G network installed in six municipalities — Albuquerque, Las Cruces, Santa Fe, Hobbs, Farmington and Rio Rancho — has the potential to create more than 8,500 jobs. Some of those jobs would be in construction as the network is installed, and some would be the result of expanded economic development enabled by increased network capacity.

Companies wishing to install 5G networks in the state face several barriers: denied access due to rules that do not address small cell technology; delays in permit application processing; and fees imposed by local governments. To facilitate the installation process, Representative Smith and Senator Candelaria presented a bill to enact the Wireless Consumer Advanced Infrastructure Investment Act. Among its provisions, the bill sets out time lines for permit processing by local governments and limits the rates and fees a local government may charge wireless providers for use of rights of way.

Speaking from the audience, Ed Mahr, lobbyist for T-Mobile New Mexico, spoke in support of the bill, and Damian Donckels, director of engineering, AT&T, noted that 5G has been installed in a "test environment" in Austin, Texas.

Discussion and comments from the presenters and committee members included the following.

- The bill's provisions usurp local government powers by capping fees and allowing taller structures than some ordinances currently allow; some local governments want to charge thousands of dollars for use of each street light or utility pole; the bill's deadline for permit processing does not allow time for the zoning process.
- Local governments would provide only placement, not power, for the antennas; maintenance for the equipment would be the provider's responsibility, and maintenance for the poles would be the local government's or utility's responsibility.
- The Public Regulation Commission (PRC) does not regulate the wireless industry.
- The bill is a working draft; the sponsors are not seeking committee endorsement; the bill is technology-neutral; and the bill would be effective statewide.
- Committee members discussed possible anti-donation issues and examples of government entities, such as public libraries, providing free internet access.

Jobs Council Initiatives and Recommendations

Several presenters reported on three issues identified in the past by the Jobs Council.

Employability Soft Skills Programs

Charles Lehman, director, Employment and Economic Information Center of New Mexico; Erin Hagenow, president, Junior Achievement of New Mexico (JANM); and Kay Provolt, state director, Jobs for America's Graduates-New Mexico (JAG), reported on programs to improve "soft skills" among those entering the state's workforce.

A 2014 survey of New Mexico employers cited a lack of soft skills, such as punctuality, problem-solving and work ethic, as a greater challenge to hiring entry-level workers than a lack of technical skills. In both the JANM and JAG programs, mentors work with high school students, primarily from economically disadvantaged and other at-risk backgrounds, to foster these skills and help the students succeed in jobs and entrepreneurial pursuits. JAG participants also receive high school elective credit for enrolling in the program. High schools in Albuquerque, Rio Rancho, Bernalillo, Mora and the Pueblo of Zuni currently participate in the JAG program; the communities of Española, Pojoaque, Santa Fe, Bernalillo, Rio Rancho, Albuquerque and Las Cruces are served by the JANM program.

DoIT Broadband for Business Study

Estevan J. Lujan, deputy secretary, DoIT, and Maria R. Sanchez, general counsel, DoIT, reported on a study conducted by the DoIT Office of Broadband and Geospatial Initiatives on business access to broadband service in the state.

The DoIT's BB4B, or Broadband for Businesses Initiative, mirrors similar DoIT broadband initiatives geared toward educational institutions, libraries, health facilities and communities in the state. The Office of Broadband and Geospatial Initiatives study shows that, for the most part, counties with low population densities have the highest percentage of businesses that are underserved by broadband networks; however, even Bernalillo County, which has the state's highest population density, houses more than 2,800 underserved businesses. According to the New Mexico Digital Inclusion Network, broadband's increased connection speed not only makes a business website feasible but can also lead to a marked increase in revenue and in the likelihood that the business will hire additional employees.

The presenters made several recommendations for facilitating broadband expansion in the state, ranging from budgetary support for their office to simplifying processes for accessing rights of way. They also emphasized the need to design and install broadband infrastructure early in the property development process. The estimated cost to expand broadband to most of the state's unserved or underserved businesses is \$42 million, which includes CAF funding.

SoloWorks Program

Mark Lautman, principal, Community Economics Laboratory, and Paul Hamrick, managing associate, Community Economics Laboratory, gave an update on the SoloWorks Program, which was created in the Economic Development Department (EDD) in 2016 and funded in 2017.

The SoloWorks Program aims to connect workers with opportunities for remote work with out-of-state employers; support solopreneurs whose goods and services are sold out of state; and develop soft skills in workers who have not been consistently employed. SoloWorks programs have been established in Grants and Las Vegas, with expansion under way or under consideration in Springer, Pine Hill, Raton, the Pueblo of Zuni, Tucumcari and Albuquerque. To date, New Mexico is the only state to financially support a program for solo workers.

Discussion and comments from the committee members and presenters from all three presentations included the following.

- The JANM and JAG programs are expanding into the southern part of the state; JAG has received money from AT&T for program expansion; JAG's main funding comes from The Perkins Fund, not from the Public Education Department (PED).
- Financial literacy is also a necessary skill for workers but is currently a high school elective credit, not a required credit.
- The SoloWorks Center in Grants is currently in the design phase; Ohio-based Digital Works connects the SoloWorks Program with companies, including Fortune 500 companies, looking for remote workers; the New Mexico Small Business Development Center is looking to expand its centers into rural areas.

- Some solo workers lose their social services benefits when they are hired for remote work but do not earn enough to cover necessary expenses, such as child care; continuing solo-worker benefits for the first six months of employment would help.

Taxation and Regulation of Recreational Cannabis

Emily Kaltenbach, senior director, National Criminal Justice Reform Strategy, and New Mexico state director, Drug Policy Alliance; and Jessica Gelay, policy manager, Drug Policy Alliance-New Mexico Office, gave a presentation on possible financial, health and public safety effects of the legalization of recreational cannabis.

Recreational cannabis is legal in eight states and the District of Columbia, though not yet in New Mexico. Colorado has collected \$500 million in taxes and fees on recreational cannabis since it was legalized in 2012, and the State of Washington collected more than \$250 million in 2016 alone. A study conducted by O'Donnell Economics & Strategy projects \$740 million in annual recreational cannabis sales by year five following legalization in New Mexico, with the potential for 18,000 jobs in both rural and urban areas of the state. Law enforcement and corrections resources currently expended to enforce criminal drug laws could be freed up for other public safety concerns. Data from Colorado show that traffic fatalities have not risen since recreational cannabis legalization, and the use patterns among youth have not significantly changed. A 2016 survey conducted by Research & Polling, Inc., shows that 69 percent of New Mexico residents support legalization if the revenue generated by recreational cannabis is directed to health care and drug and alcohol rehabilitation.

Discussion and comments from the presenters and committee members included the following.

- In Colorado, recreational cannabis legalization is a county-level local option.
- Cannabis purchases in the illegal market have dropped in Colorado since legalization; some people still grow cannabis illegally in their homes and in forests.
- Colorado's tax on recreational cannabis is 30 percent; the Drug Policy Alliance recommends a 15 percent state-level excise tax plus a five percent local tax.
- A *Denver Post* article stated that 60 percent of drivers cited for driving while intoxicated (DWI) had cannabis in their blood systems, and the state has seen an increase in fender-bender accidents; law enforcement officers need to assess whether cannabis has affected a person's driving or is just present in the bloodstream; Colorado and Washington are considering citing nanogram levels for DWI statutes.
- Studies have shown increases in truancy and emergency room (ER) visits for overdoses from cannabis edibles in Colorado since legalization; with legalization, some of the stigma of cannabis is gone and people are more willing to visit an ER if they have a problem.
- A request to add opioid use disorder to the list of qualifying conditions for the medical cannabis program was rejected by the secretary of health.

- Some of the recent enrollment increase in the medical cannabis program is due to an increase in the number of providers and increased education about the program; the projected enrollment increase for the coming year is 10,000.
- Federal drug revenue banking prohibitions cause security problems for cannabis producers and retailers.

State Apprenticeship Council (SAC)

Charles Humiston, chair, SAC; Greta Schouman, board member, SAC; John Gallegos, Rodgers Plumbing and Heating, Inc.; and Johnnie Sanchez, apprentice, Rodgers Plumbing and Heating, Inc., gave a presentation on Associated Builders and Contractors, Inc., New Mexico Chapter (ABC-NM) apprenticeship programs in the state.

There are 35 registered apprenticeship programs in the state. ABC-NM, which is accredited by the Higher Education Department (HED) as a post-secondary school, hosts programs that combine classroom and on-the-job training in four occupations: carpentry, electrical, plumbing and sheet metal. Community partners for the programs include Central New Mexico Community College (CNM), San Juan College, the New Mexico Manufacturing Extension Partnership, the Workforce Solutions Department (WSD), the State Approving Agency, the PED and New Mexico Job Corps. Companies that hire apprentices provide funding for the program through tuition, textbooks and instructor salaries. State funding is needed to augment business funding to increase and improve apprenticeship programs, as well as expand them into more industries, such as health care.

Mr. Gallegos, who graduated from an ABC-NM apprenticeship program, and Mr. Sanchez, who is currently an apprentice, spoke of the benefits each has garnered from his apprenticeship.

Discussion and comments from the presenters and committee members included the following.

- Of the 180 people who are currently registered in ABC-NM, only three are out of work; apprentices earn 90 percent of journeyman's wages by the end of the program and could earn as much as \$30.00 an hour if they work on scale; Doña Ana Community College used to be involved in the apprenticeship program but currently is not; most of the apprenticeship programs are in the Albuquerque area, though there are also programs in Los Alamos, Farmington, Carlsbad and Gallup.
- Vocational-technical high school programs would not boost enrollment in apprenticeship programs but would increase the number of qualified applicants.
- A list of all "apprenticeable trades" appears on the WSD website.
- State funding is needed to advertise apprenticeship programs; there will not be an "Apprenticeship Day at the Legislature" during the 2018 session because legislators do not have time to visit with the exhibitors.

PRC Regulation of Renewable Energies

Patrick H. Lyons, commissioner, PRC District 2, and Dhiraj Solomon, PRC, described the PRC's process for approving wind energy projects.

Under New Mexico's renewable portfolio standard, 20 percent of a public utility's sales must be derived from renewable sources by 2020; this standard had nearly been met by early 2016. Most of the renewable energy generated in New Mexico comes from "merchant plants" — privately owned facilities that sell their energy to public utilities. In the case of wind energy, facilities are mostly concentrated in the southeastern portion of the state. Commissioner Lyons outlined the approval process for wind energy generation facilities and their associated transmission lines, a process that requires public hearings, PRC decisions within six months and consideration of a project's possible impairment of "important environmental values". The PRC is also required by statute, in all of its decisions regarding public utilities, to balance public interests, consumer interests and investor interests in its oversight of public utilities.

Discussion and comments from the presenters and committee members included the following.

- Commissioner Lyons stated that close to 25 percent of the energy now generated in the state comes from renewable sources, with about three percent attributed to purchased renewable energy credits (RECs); Mr. Solomon noted that the percentage is difficult to calculate because most of the renewable energy produced in New Mexico is sold out of state; RECs must be sold within three years of generation; Farmers' Electric Cooperative, Inc., has sold RECs to Public Service Company of New Mexico.
- The PRC's approval phase of a wind energy project takes six months, but approval from other agencies, such as the Department of Environment, can take years, as can mining permits for copper to be used in renewable energy.
- A renewable energy generation plant that sells any of its power in the state must obtain a certificate of convenience and necessity.
- Hawaii is 100 percent renewable-dependent and stores solar-generated energy; natural gas can serve to bridge the daily gap in solar production; solar, wind and natural gas production are currently comparable in price.
- Stranded assets and local economies need to be considered when closing a coal-fired generation plant; some mines and plants have been shut down solely for regulatory compliance.

Burrell College of Osteopathic Medicine

Justin McHorse, chief of staff and assistant dean for multicultural inclusion, Burrell College of Osteopathic Medicine, spoke about the college's program at New Mexico State University's (NMSU's) Arrowhead Park.

The college is in its second year of operation and has 324 students enrolled. Sixteen percent of the college's first class — the class of 2020 — is from New Mexico. To increase participation from New Mexico students, NMSU and Burrell College have collaborated on a recruitment program in which high school seniors can apply for a pre-med baccalaureate program at the university, leading to enrollment in the Burrell College program.

Beginning next fall, the class of 2020 will go into clinical hospital clerkships and, two years later, into residencies. The college is working to develop clinical placements with health facilities throughout the state, including Indian Health Service (IHS) and tribal facilities. Mr. McHorse noted that there is a 65 percent chance that a doctor of osteopathic medicine ultimately will choose to practice within 150 miles of the doctor's residency assignment and there are similar odds that the doctor will choose to go into family practice — both good for New Mexico.

Discussion and comments from Mr. McHorse and committee members included the following.

- A few students in the first class dropped out after deciding medical school was not for them; three Native American students have enrolled so far; the college has established residency agreements with IHS facilities in Gallup and Albuquerque; the college will become eligible for federal student financial aid funding through Title IV in 2018.

Minutes

On a motion duly made, seconded and unanimously adopted, the minutes from the committee's meetings on August 31-September 1, 2017, September 14-15, 2017 and October 2-3, 2017 were approved.

The committee recessed at 4:45 p.m.

Tuesday, November 7

Reconvene

Representative Rodella reconvened the meeting at 9:15 a.m.

Escalante Generating Station

Jeff Kiely, executive director, Northwest New Mexico Council of Governments; Eileen Yarborough, executive director, Cibola Communities Economic Development Foundation; and Michael Sage, deputy director, Greater Gallup Economic Development Corporation, gave an update on a study requested by House Memorial (HM) 72 of the 2017 regular session. Pursuant to the memorial, the EDD, the WSD, the Energy, Minerals and Natural Resources Department (EMNRD) and energy-related associations and entities are studying the job-growth potential of the Escalante Generating Station in McKinley County and its role as an economic anchor for the region.

The generating station and its associated mines benefit two counties — McKinley and Cibola — with McKinley County receiving the property taxes from the station itself (\$1.4 million annually) and Cibola County receiving payroll and benefits from most of the station's employees (\$14.2 million). Local spending from mine operations exceeds \$95 million each year.

A technical working group formed in response to the memorial began meeting in April 2017 to analyze possible development of an economic activity cluster to support the Escalante Generating Station. Cibola and McKinley counties secured planning grants of \$50,000 each through the New Mexico Finance Authority, and a request for proposals for consultant services will be advertised during November. Next steps include a supply chain analysis, workforce skills assessment and site master plan development.

The presenters requested that the time line set out in HM 72 be extended to allow the group to present its final report in July 2018.

Discussion and comments from the presenters and committee members included the following.

- Because the Escalante Generating Station has pollution controls installed to meet recent environmental standards, it will continue to operate while older plants, such as the plant in San Juan, are shut down; limestone is used in the Escalante station's pollution controls.
- El Segundo Coal Mine has other clients in addition to the Escalante station; El Segundo employment has leveled off and is projected to remain steady for two to three years; the primary commitment for coal production in the Prewitt area is for electricity generation, not export; the coal from the mine is not top quality but is sufficient for the Escalante station and might be sufficient for other markets.
- An "economic base job" brings resources into a community and exports products; "Dodge City phenomenon" refers to a retail center that serves a broad rural region.
- Former San Juan Generating Station employees will be considered for employment at the Escalante station.
- The EDD, the WSD and the EMNRD have been actively involved in the strategic planning for the HM 72 study and report; the working group is considering multiple funding sources, including state and federal agencies, to pursue recommendations that will be included in the HM 72 report.
- A member spoke on the effect of significant job losses in the Four Corners region due to partial shutdown of the San Juan Generating Plant and on nuclear energy's dual reputation as both a clean energy source and a source of danger.

WSD Current and Proposed Programs

Celina Bussey, secretary, WSD, gave an overview and update on WSD programs and initiatives that support its goal of being a "business-driven" department and a gateway to employment.

The WSD's SUN PATH Consortium of state agencies, higher education institutions and employers secured a \$14 million federal grant through Santa Fe Community College to develop career pathways in allied health, health information technology (IT) and emergency medical services. To date, nearly 3,400 individuals have enrolled in SUN PATH programs and more than 2,100 have completed their studies, with more than 500 individuals subsequently employed and more than 1,200 receiving a wage increase after enrolling in the programs. Despite these successes, federal funding for SUN PATH will soon end.

The WSD received federal funding for its apprenticeship programs, which have expanded beyond traditional fields, such as construction and manufacturing, and into health specialties and IT. CNM created the state's first registered IT apprenticeship program and has placed some of its participants at the WSD.

Under the federal Workforce Innovation and Opportunity Act, states that receive federal funding for job training must develop a comprehensive state plan for collaboration among departments that receive the funding. In New Mexico, these agencies include the WSD; the PED, for its Vocational Rehabilitation Division (VRD); and the HED, for its Adult Basic Education Division. The Human Services Department also participates in the collaboration because of its programs under New Mexico Works, Temporary Assistance for Needy Families and the Supplemental Nutrition Assistance Program. As part of this collaboration and alignment, the WSD will request in the 2018 legislative session that the VRD be transferred to the WSD.

Discussion and comments from Secretary Bussey and committee members included the following.

- The VRD receives both state and federal funding, with matching requirements for the latter; funding goes to eligible participants through their local school districts; the WSD makes referrals to VRD programs; if the VRD is transferred to the WSD, its funding will transfer as well.
- Background check requirements are duplicated among several state agencies, which do not currently have the resources to share data.
- CNM is willing to share its apprenticeship program with other higher education institutions, which would need to enlist local employers to receive apprentices; state funding for apprenticeship programs comes through the Apprenticeship Assistance Act and through a tax on public works projects; apprenticeship programs pose a problem for the state's classified employee system, which cannot always meet the guarantee that an apprentice's wages will increase in steps; the WSD is studying the "cliff effect" to determine what wage an apprentice needs to be paid in order to afford the loss of social services benefits.
- Both the IT and health care fields include "stackable certifications" that can be earned through most higher education institutions in the state.
- The WSD has met with higher education institutions to align their adult basic education programs; in other states, these programs are administered by workforce

agencies rather than education departments; the WSD uses WorkKeys Skills Assessments for cognitive and aptitude assessments.

Rapid Workforce Development

Secretary Bussey was joined by Barbara Brazil, deputy secretary, EDD, and Barbara Damron, Ph.D., secretary, HED, to present an update on the program established in response to the Rapid Workforce Development Act enacted in 2016.

The act creates the Rapid Workforce Development Board, consisting of the secretaries of economic development, higher education and workforce solutions, to respond to employers' needs for educated and skilled workers. In addition, the legislature appropriated \$1.25 million to the EDD in the General Appropriation Act of 2016 for a rapid workforce development program. Under the program, the agencies identify employer and industry workforce needs and provide relevant workforce demographic, training and education information to employers. Higher education institutions that wish to receive rapid workforce development funding must demonstrate their ability to quickly deploy training programs to meet specific industry or employer needs and, if they receive funding, submit annual reports to the Rapid Workforce Development Board on program outcomes. Two institutions have received program funding to date: CNM, for its Spanish-language customer service center program; and Northern New Mexico College, for its certified nurse's aide program.

Discussion and comments from the presenters and committee members included the following.

- Indirect costs for the rapid workforce development programs average seven to nine percent; employers are not required to put money into the program, though the program application includes identification of in-kind matches.
- The workforce response to the recent closing of a contract prison in Torrance County was not part of the rapid workforce development program; the program responds to employer requests, not to employer layoffs or closures; the HED has a fund that can be used to educate and retrain displaced workers.
- There is currently no outreach or information campaign about the program.
- There is a shortage of nursing faculty in the state and nationwide.

Proposed Legislation for Committee Endorsement

Appropriation for New Mexico-Grown Fresh Fruits and Vegetables (.208868.1)

Pam Roy, executive director and co-founder, Farm to Table, and New Mexico Food and Agriculture Policy Council; Betsy Cull, assistant director for student nutrition, Santa Fe Public School District; Micah Roseberry, Farmhouse Cafe; Anthony Wagner, Wagner Farms; and Virginia Schroeder, New Mexico School Nutrition Association, spoke in support of a bill to appropriate \$1.44 million to the PED for fresh fruits and vegetables for school lunch programs and a full-time-equivalent position to administer the program. On questioning, the presenters

noted that the program received \$364,000 two years ago, did not receive funding last year and is hoping to receive a minimum of \$364,000 again this year. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill. Representatives Jimmie C. Hall and Brian Egolf will co-sponsor the bill.

Appropriation for Ground Water Resource Study (.208839.1)

Senator Woods presented a bill to appropriate \$350,000 to NMSU for a study of water resources in Colfax, Harding, Mora and Union counties, to be conducted by the university's Department of Animal and Range Sciences. On questioning, Senator Woods noted that overhead costs for the study would be lower through NMSU than through other agencies. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill.

Memorial for Frontier Community Challenges Study (.208958.2)

Carol Miller, honorary board member, and Susan Wilger, executive director, both of the National Center for Frontier Communities, spoke in support of a joint memorial requesting that the EDD convene a working group to identify the challenges faced by frontier communities in the state and legislative solutions to address frontier communities' needs. The presenters noted that nearly all New Mexico counties received a "frontier" designation in the 2010 census. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill.

Appropriation to Attract Retirees to New Mexico (.208807.2)

Mr. Lehman and John Garcia, former secretary of tourism and former secretary of economic development, spoke in support of a bill to appropriate \$250,000 to the Tourism Department for a marketing campaign to attract individuals to retire in New Mexico. On questioning, the presenters noted that the funding would be for a pilot project. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill.

Appropriation for Soft Skills Education Programs (.209002.1)

Mr. Lehman spoke in support of a bill to appropriate \$50,000 to the PED to develop and implement soft skills education programs for high school students. On questioning, the presenters noted that JAG and JANM would work with the PED on the programs. On a motion duly made and seconded, the committee endorsed the bill amended as follows: on page 1, lines 16 and 17, strike "fifty thousand dollars (\$50,000)" and insert in lieu thereof "two hundred fifty thousand dollars (\$250,000)".

Appropriation for Solo-Worker Program (.209003.1)

Mr. Lehman, Ms. Yarborough and Mr. Hamrick spoke in support of a bill to appropriate \$1.5 million to the EDD for the solo-worker program. On questioning, Ms. Yarborough noted that the solo-worker program in Grants has created 11 jobs to date, and she expects a surge in enrollment in January. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill.

Adjournment

There being no further business before the committee, the sixth meeting of the ERDC for the 2017 interim adjourned at 3:35 p.m.

ENDORSED LEGISLATION

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SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE TOURISM DEPARTMENT FOR A RETIRE-
IN-NEW-MEXICO MARKETING CAMPAIGN.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Two hundred fifty thousand
dollars (\$250,000) is appropriated from the general fund to the
tourism department for expenditure in fiscal year 2019 for the
development and implementation of a targeted marketing campaign
attracting individuals to retire in New Mexico. Any unexpended
or unencumbered balance remaining at the end of fiscal year
2019 shall revert to the general fund.

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SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION FOR THE DEPARTMENT OF ANIMAL AND RANGE SCIENCES OF NEW MEXICO STATE UNIVERSITY TO STUDY GROUND WATER RESOURCES IN COLFAX, HARDING, MORA AND UNION COUNTIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Three hundred fifty thousand dollars (\$350,000) is appropriated from the general fund to the board of regents of New Mexico state university for expenditure in fiscal years 2019 and 2020 for the department of animal and range sciences to study the quantity and quality of ground water resources in Colfax, Harding, Mora and Union counties, with a focus on Colfax and Harding counties, for the purpose of determining appropriate land use in rural agricultural areas of those counties. Any unexpended or unencumbered balance remaining at the end of fiscal year 2020 shall revert to the

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HOUSE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO PROVIDE NEW MEXICO-GROWN FRESH
FRUITS AND FRESH VEGETABLES FOR SCHOOL MEALS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--One million four hundred forty
thousand dollars (\$1,440,000) is appropriated from the general
fund to the public education department for expenditure in
fiscal year 2019 and subsequent fiscal years for the purchase
and distribution of New Mexico-grown fresh fruits and fresh
vegetables to school districts, charter schools and juvenile
detention centers through the department's school meal programs
and for a full-time-equivalent position to administer and
promote this initiative. Any unexpended or unencumbered
balance remaining at the end of a fiscal year shall not revert
to the general fund.

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1 SENATE JOINT MEMORIAL

2 **53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018**

3 INTRODUCED BY

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8 FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

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10 A JOINT MEMORIAL

11 REQUESTING THE ECONOMIC DEVELOPMENT DEPARTMENT TO CONVENE A
12 WORKING GROUP TO IDENTIFY THE CHALLENGES UNIQUE TO FRONTIER
13 COMMUNITIES AND TO PROPOSE LEGISLATIVE ACTION TO FACILITATE
14 INVESTMENT IN THOSE COMMUNITIES.

15
16 WHEREAS, frontier communities are the remote and
17 geographically isolated settlements and villages that over
18 centuries evolved into the land of enchantment and still today
19 represent a majority of the state's landmass; and

20 WHEREAS, frontier communities face unique economic and
21 social challenges, many of which need assistance from federal,
22 state or local government to be overcome; and

23 WHEREAS, many frontier communities in New Mexico are
24 unincorporated and face exceptional barriers to eligibility for
25 public resources; and

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1 WHEREAS, in frontier communities, a lack of capacity,
2 which includes a lack of access to qualified grant writers and
3 data, impedes local initiatives, and the provision of critical
4 public services through volunteers is unsustainable; and

5 WHEREAS, the provision of public services and
6 infrastructure, including acequias, mutual domestic water
7 associations, firefighting, emergency medical services and
8 rescue, is complex and requires skilled, long-term and
9 financially compensated leaders, which many frontier
10 communities cannot provide on their own; and

11 WHEREAS, creative problem-solving supported by innovative
12 legislative action is needed to preserve and protect
13 the smallest communities in the state and to develop necessary
14 infrastructure, services and amenities; and

15 WHEREAS, there is a need to identify best practices for
16 ensuring that the frontier areas of New Mexico survive and
17 thrive into the future;

18 NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE
19 STATE OF NEW MEXICO that the economic development department,
20 in coordination with the southwest New Mexico-based national
21 center for frontier communities, be requested to convene a
22 working group to identify innovative ways to direct investment
23 and reinvestment of state resources into frontier communities
24 for the development of infrastructure, community and essential
25 services; and

.208958.2

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1 BE IT FURTHER RESOLVED that the working group be composed
2 of development experts and interested parties from throughout
3 the state, including representatives of the New Mexico
4 municipal league; the New Mexico association of counties;
5 colonias; tribal governments and inter-tribal organizations;
6 relevant state agencies; the legislature; the governor's
7 office; private foundations; community organizations; colleges
8 and universities; and members of the public; and

9 BE IT FURTHER RESOLVED that the working group review
10 existing law to determine if it facilitates equitable
11 investment in frontier communities and, if it is determined
12 that new legislation is needed, develop recommendations for
13 legislative action; and

14 BE IT FURTHER RESOLVED that the working group hold several
15 public stakeholder meetings around the state to identify the
16 essential needs of the smallest and most isolated frontier
17 communities and to receive input on legislative solutions that
18 address frontier community needs; and

19 BE IT FURTHER RESOLVED that the working group report its
20 findings and legislative recommendations to the appropriate
21 interim legislative committee by November 2018; and

22 BE IT FURTHER RESOLVED that copies of this memorial be
23 transmitted to the secretary of economic development and the
24 director of the national center for frontier communities.

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HOUSE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE PUBLIC EDUCATION DEPARTMENT FOR
THE DEVELOPMENT AND IMPLEMENTATION OF SOFT SKILLS EDUCATION
PROGRAMS FOR HIGH SCHOOL STUDENTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Two hundred fifty thousand
dollars (\$250,000) is appropriated from the general fund to the
public education department for expenditure in fiscal year 2019
for the development and implementation of soft skills education
programs for high school students. Any unexpended or
unencumbered balance remaining at the end of fiscal year 2019
shall revert to the general fund.

.209002.2

NOTE: As reflected in the minutes of the committee's November 6-7, 2017 meeting, the committee endorsed the .209002.1 version of this appropriation and also voted to amend the dollar amount. This version of the appropriation includes the amended dollar amount and, thus, is designated .209002.2.

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SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE ECONOMIC DEVELOPMENT DEPARTMENT
FOR THE SOLO-WORKER PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--One million five hundred
thousand dollars (\$1,500,000) is appropriated from the general
fund to the economic development department for expenditure in
fiscal year 2019 for the solo-worker program created pursuant
to Section 9-15-57 NMSA 1978. Any unexpended or unencumbered
balance remaining at the end of fiscal year 2019 shall revert
to the general fund.

.209003.1



LEGISLATIVE COUNCIL SERVICE
SANTA FE, NEW MEXICO