

# One Community at a Time: Strengthening New Mexico by Boosting Local Economic Development

Presentation to the Economic and Rural  
Development Interim Committee

Friday, October 12, 2018



# Presenters

New Mexico First

- Grant Taylor, Economic Policy Director

Mesilla Valley  
Economic  
Development Alliance

- Davin Lopez, President and CEO

New Mexico Tax  
Research Institute

- Richard Anklam, President and Executive Director

# Today's Major Points

- 1) **Concern: Economic development starts at home, and yet NM under-invests in local economic development.**
  - ▶ Especially compared with our neighbor, Texas, which invests at a rate at least four times higher than ours
- 2) **Town Hall Implementation Team Solution:** A modest two-step reform to the existing Local Economic Development Act (LEDA) could level the playing field. (Grant Taylor, New Mexico First)
- 3) **Additional reforms ideas exist (not from the town hall):**
  - ▶ Challenges, other tax considerations (Richard Anklam, NMTRI)
  - ▶ Local considerations (Davin Lopez, MVEDA)

# What is New Mexico First?



## Nonpartisan research

- ▶ Data
- ▶ Policy options
- ▶ Statewide advisors



## Civic engagement

- ▶ Statewide town halls
- ▶ Community forums
- ▶ Strategic planning



## Advancing change

- ▶ Government policy
- ▶ Nonprofit programs
- ▶ Private sector changes

Our greatest legacy: **Engaged, informed New Mexicans**



2016 STATEWIDE TOWN HALL

## Economic Security and Vitality for New Mexico

### RECOMMENDATION: ADVANCE A CULTURE OF ECONOMIC DEVELOPMENT

**ACTION:** Create a culture of economic development with robust local and state funding.

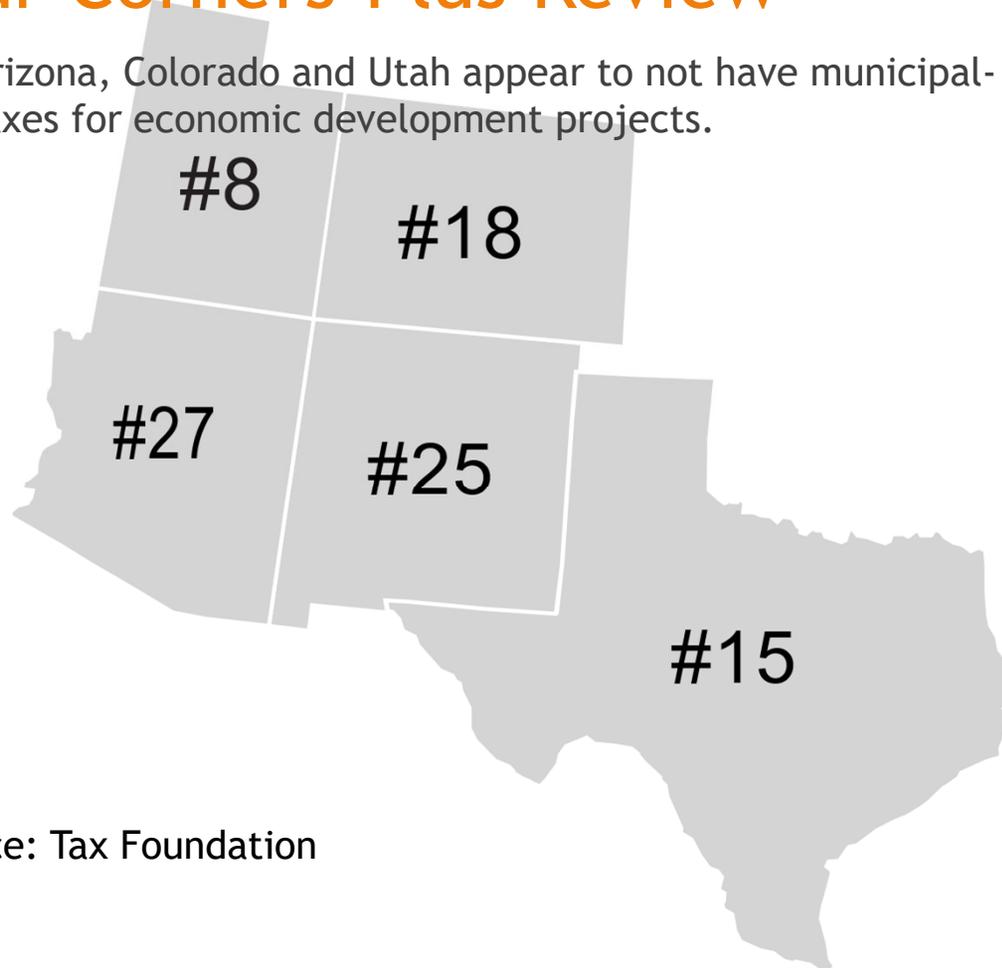
#### STRATEGIES:

- ▶ a) Support economic development organizations locally to increase effectiveness and capacity for growing the economy.
- ▶ b) Promote regionalism in economic development efforts.
- ▶ c) Substantially increase and stabilize funding, specifically for economic development to become competitive with other states.
- ▶ d) Substantially increase the state's annual investment in economic growth and projects, and establish metrics.
- ▶ f) Grow border economies by developing a statewide supply chain.

# 2019 State Business Tax Climate Index

## Four Corners-Plus Review

- ▶ Arizona, Colorado and Utah appear to not have municipal- or county-level local-option taxes for economic development projects.



Source: Tax Foundation

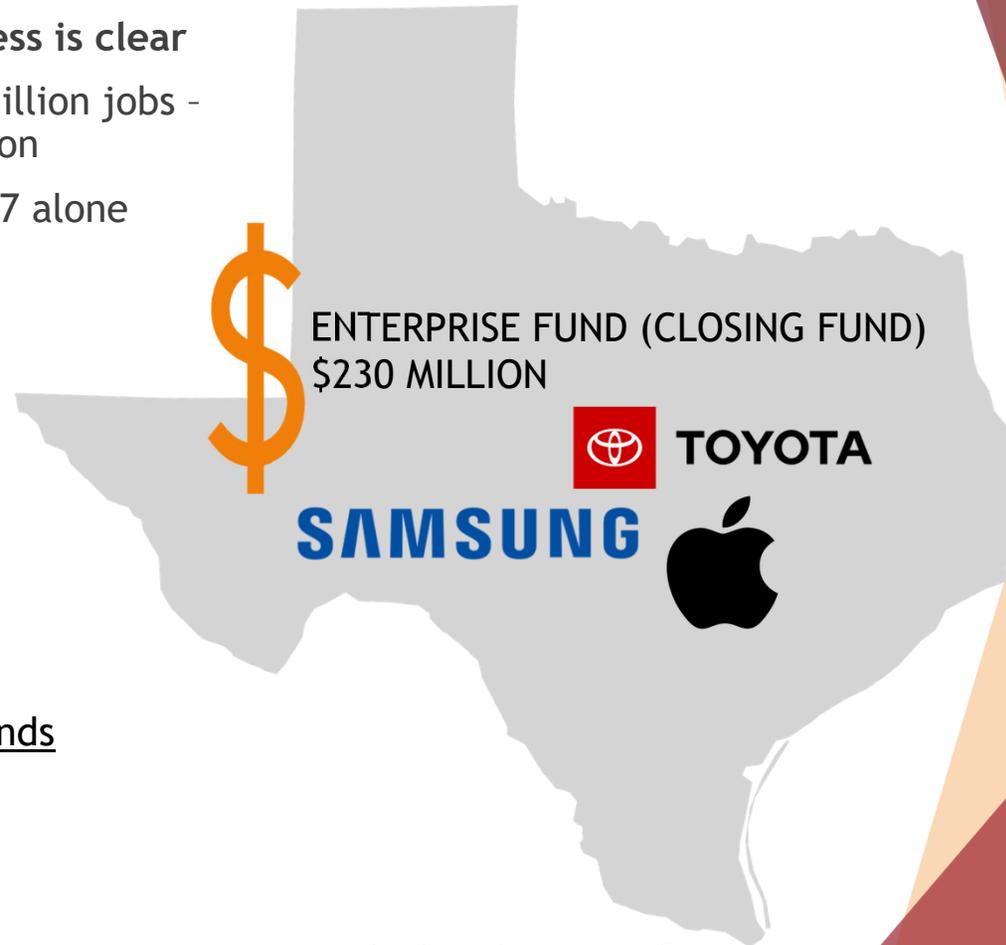
# Enterprising Texas

## Texas economic development success is clear

- ▶ In 10 years, Texas created 2.18 million jobs - more than New Mexico's population
- ▶ 300,000 jobs were created in 2017 alone

### Texas State Incentives

- ▶ Texas Enterprise Fund
- ▶ Event Trust Funds
- ▶ Financing
- ▶ Grants
- ▶ Tax Incentives
- ▶ Workforce Development Funds



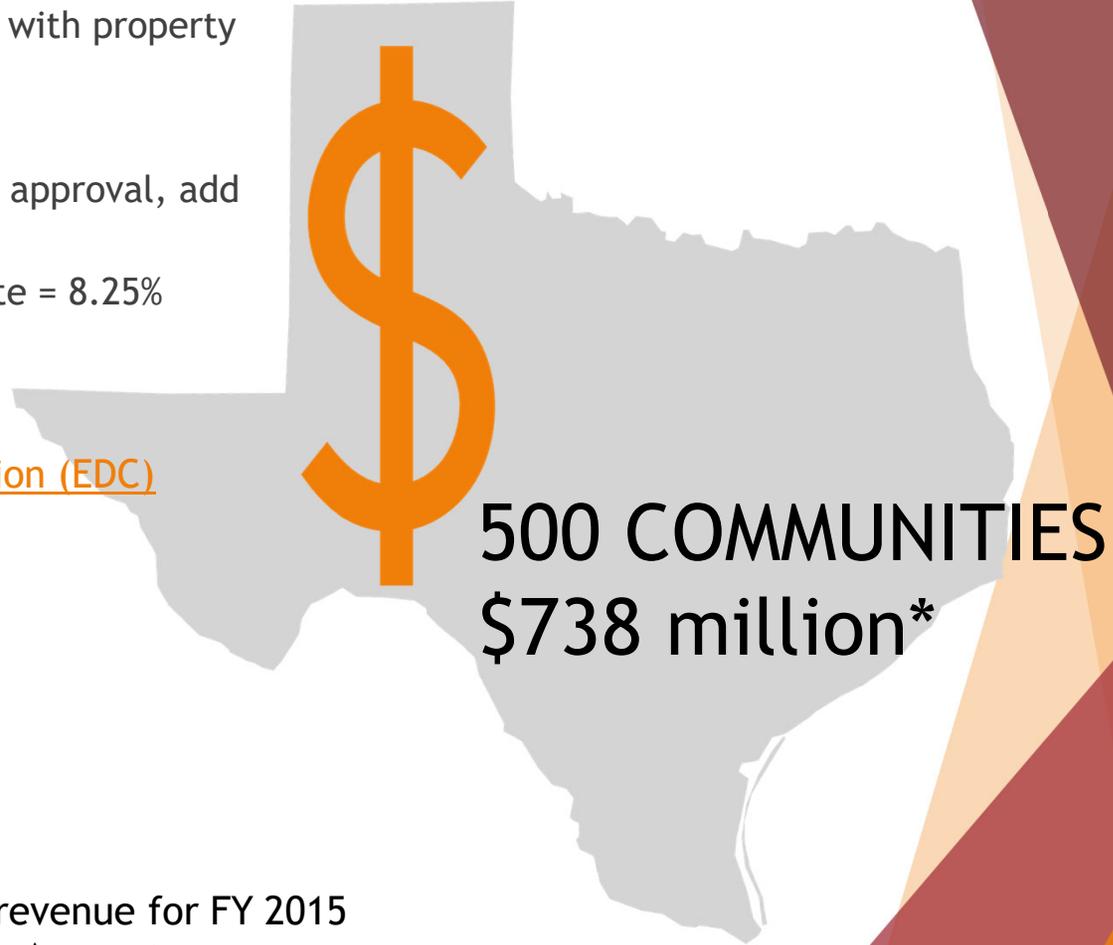
Sources: Office of the Governor of Texas; Texas Economic Development Corp.

# Texas Tax Structure Supports Municipalities

- ▶ Municipalities are primarily funded with property taxes
- ▶ Texas' sales and use tax = 6.25%
- ▶ AND municipalities may, with voter approval, add up to 2% for local purposes
- ▶ Prevailing effective TX sales tax rate = 8.25%

## Local Sales Taxes

- ▶ Economic Development Corporation (EDC) Taxes
- ▶ Municipal Development District
- ▶ Property Tax Relief
- ▶ Sports and Community Venue
- ▶ Street Maintenance and Repair



\*Local economic development tax revenue for FY 2015  
Source: Texas Comptroller of Public Accounts

# Texas Economic Development Taxes

- ▶ 1979 - Texas Legislature enacted **Development Corporation Act**. Municipalities could form nonprofit economic development corporations (EDCs) to promote industrial development.
- ▶ For each type, up to one-half of one cent of sales may be collected to pay for land, buildings, equipment, facilities expenditures, targeted infrastructure and improvements.
- ▶ Local option (voter approval)

Source: Texas Municipal League

# NM Local Economic Development Act

- ▶ Municipal GRT- primary funding source for NM municipalities. Often makes up > 70% of general-fund revenues.
- ▶ 1994 - NM voters passed constitutional amendment to “allow public support of economic development.”
- ▶ LEDA
  - ▶ Enables municipalities to offer money, land, buildings and infrastructure to qualifying entities for eligible economic-development projects
  - ▶ Municipalities may ask voters to approve an eighth-cent tax of the Municipal Infrastructure GRT to “further or implement economic development plans and projects.”
- ▶ **The catch** - Of that tax, municipalities cannot spend more than \$50,000 or 10 percent of the revenue collected on economic development contracts. This means we are not funding **our people** who do the heavy lifting.

## LEDA: Bottom Line

- ▶ While Texas communities are collecting AT LEAST 50 cents per \$100 of sales for economic development
- ▶ New Mexico communities that have the eighth-cent GRT are collecting ONLY 12.5 cents per \$100 of gross receipts.

## Possible solution-Revise LEDA... *a little*

- ▶ Allow NM communities to raise their eighth-cent LEDA economic development tax to Texas' half-cent rate
  - ▶ *If* the community wants to. Local vote. Local decision.
- ▶ Lift LEDA's current restrictions of “the greater of \$50,000 or 10 percent” for economic development professional services contracts
  - ▶ Allows communities to better invest in their local EDOs.

# Disparate Treasure Chests

- ▶ How to measure economic investment disparity between NM and TX?
- ▶ Compare Texas EDC's personnel, marketing expenditures to total budget of a New Mexico EDO

## Return?

- ▶ Every EDC dollar invested returns \$17.33 to the local economy
- ▶ 63 percent of net new jobs
- ▶ Nearly 55,000 permanent Amarillo jobs
- ▶ \$5.5B in gross product is generated each year

## Amarillo EDC

- Pop: 190,695
- Personnel Expense: \$1,023,223
- Marketing: \$473,504
- Sales Tax Revenue: \$18.5 million

## MVEDA

- Pop: 214,295
- Personnel Expense: \$420,545
- Budget Reported: \$615,000

Sources: U.S. Census Bureau; Guidestar; Albuquerque Business First; Texas Comptroller of Public Accounts; Amarillo EDC

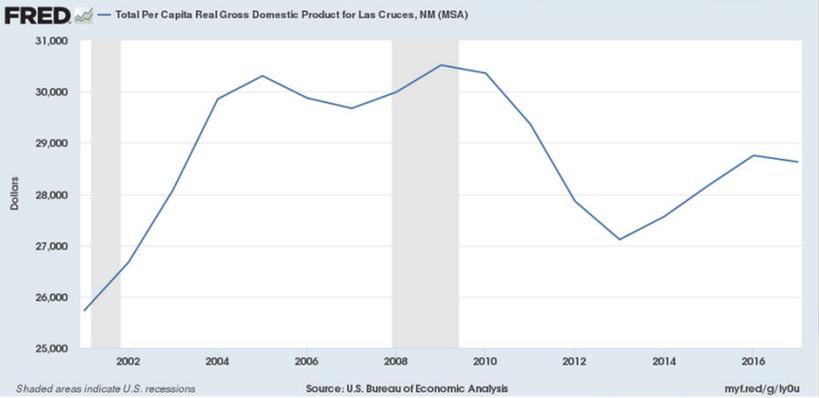
# Economic Performance Over Time

## Amarillo

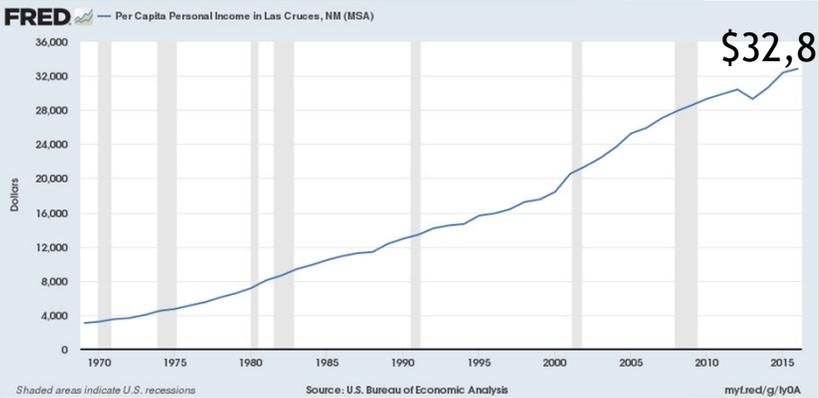


Per Capita GDP

## Las Cruces



Per Capita Personal Income



\$32,852

Source: U.S. Bureau of Economic Analysis

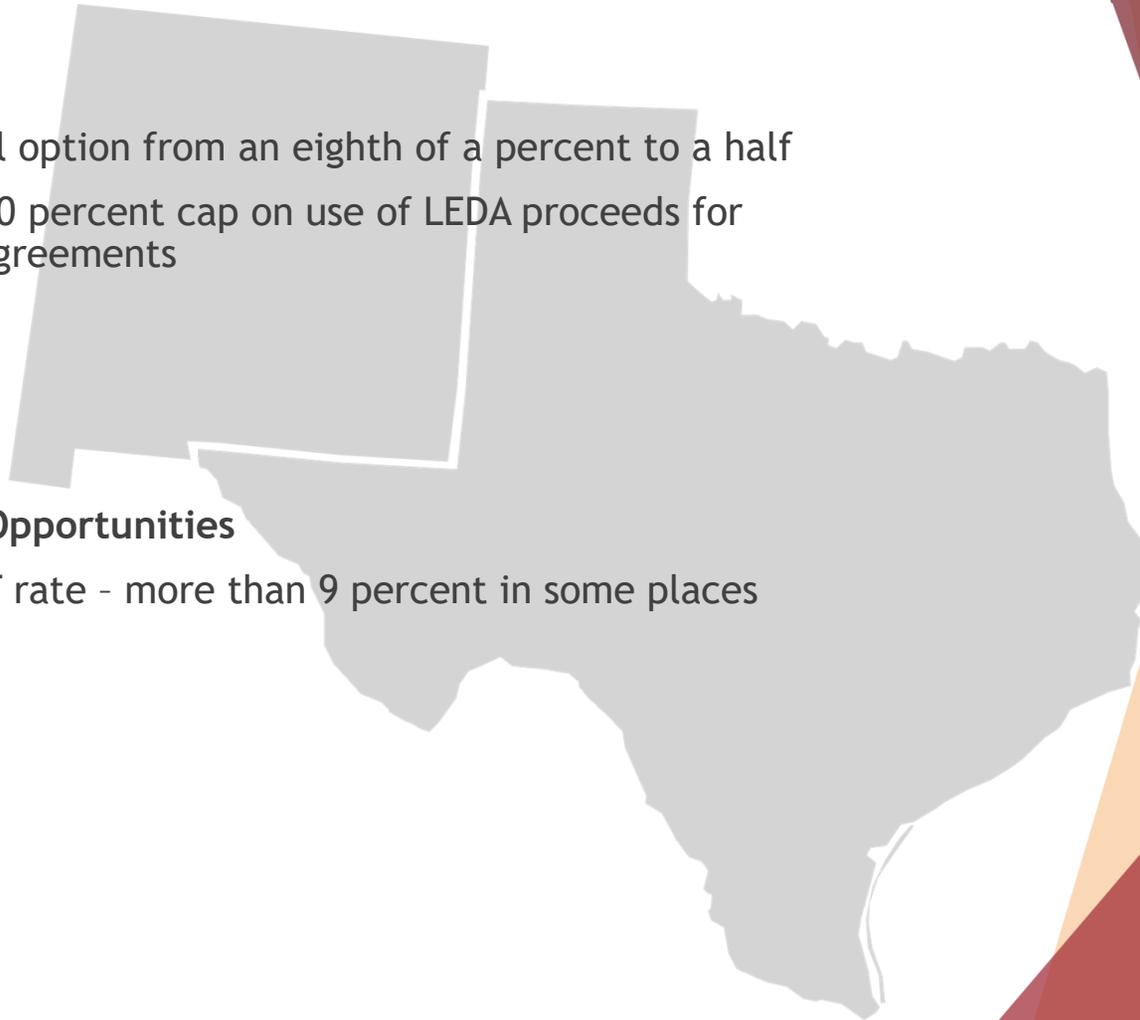
# Recap: Close the Gap

## Possible Reforms

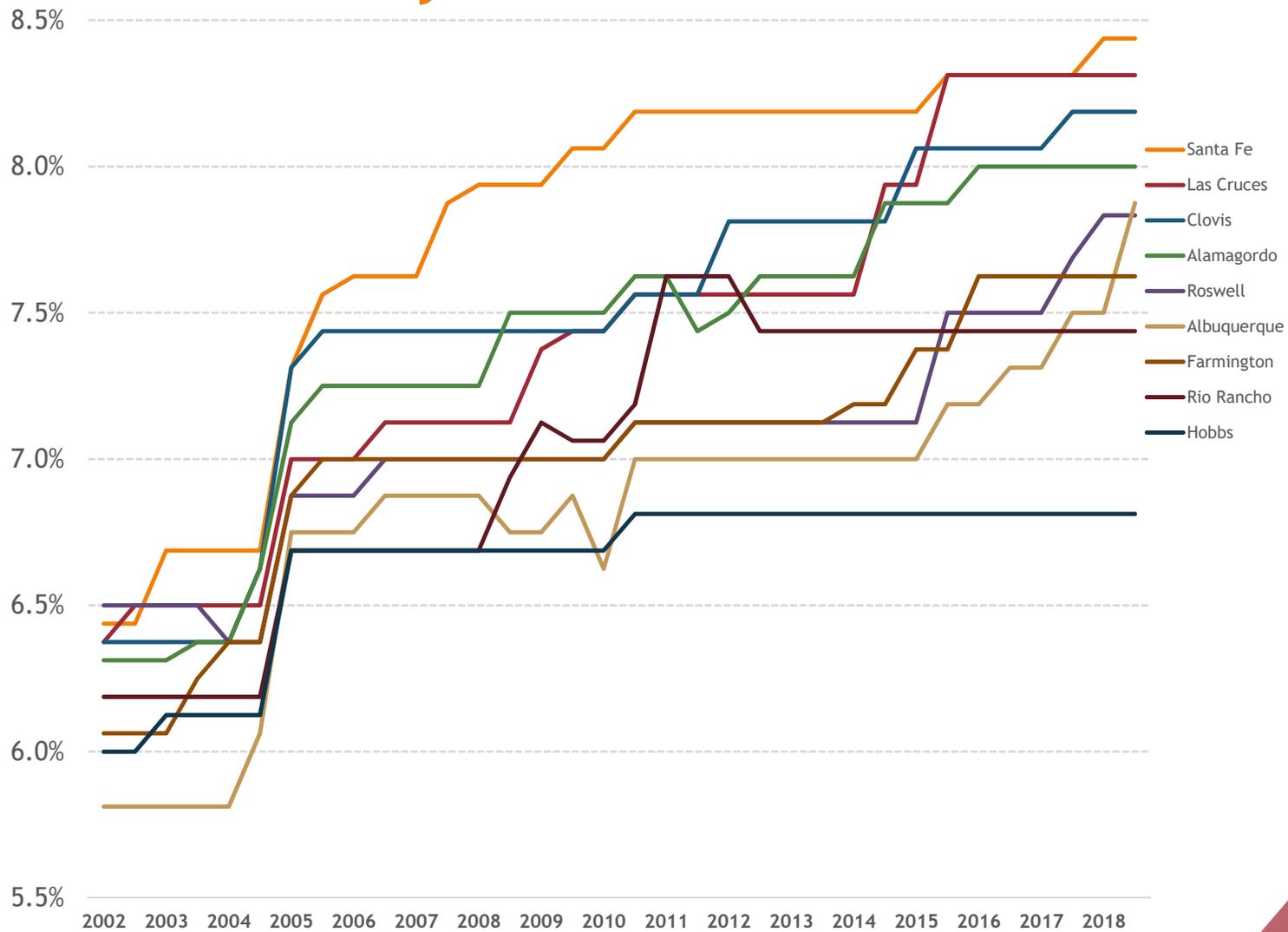
- ▶ Increase the LEDA local option from an eighth of a percent to a half
- ▶ Remove the \$50,000/10 percent cap on use of LEDA proceeds for professional services agreements

## Possible Challenges and Opportunities

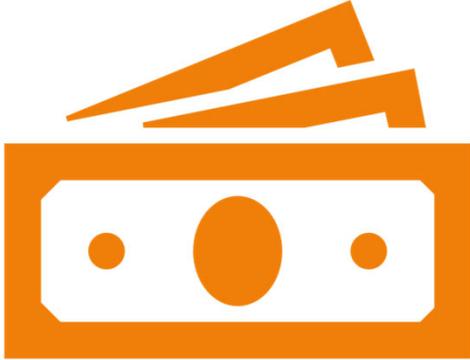
- ▶ Elevated effective GRT rate - more than 9 percent in some places



# GRT Rate History of Select Cities



# Other Local Reform Considerations



- ▶ Permanent funding vehicle for economic development
- ▶ Support and align marketing and business retention & expansion (BR&E) efforts
  - ▶ Partnership marketing budget increase (endorsed by 2016 NMF town hall)
  - ▶ Regional EDO financial support of BR&E (endorsed by 2016 NMF town hall)
- ▶ High Tech Start-up Support- Existing Programs
- ▶ Financing Facility Development- Existing Programs
- ▶ Talent Recruitment Initiatives



Questions?





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