

Economic development along New Mexico’s Southern Border, or Dona Ana, Hidalgo and Luna counties, outpaced the rest of the state in economic activity during the challenging times of Covid-19, but has fallen behind in recovery. To regain the momentum in the region, stakeholders such as local entities, the Economic Development Department, higher education institutions and policy makers must collaborate to improve capacity in the borderland.

DATE: June 27, 2023

PURPOSE OF HEARING:
Borderland Economic Development

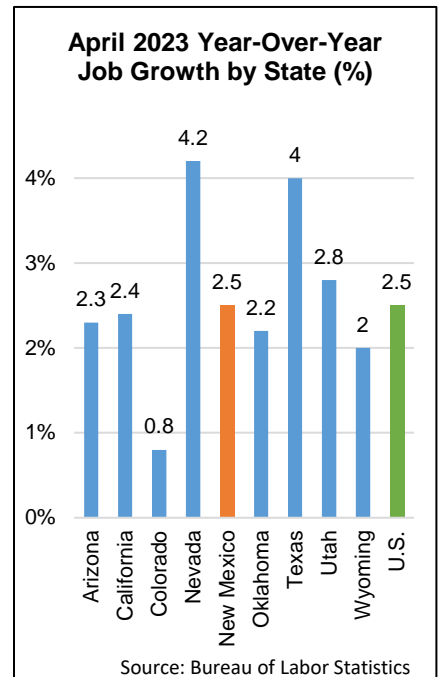
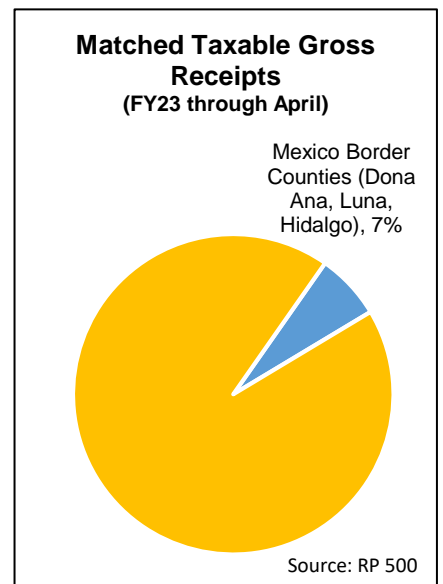
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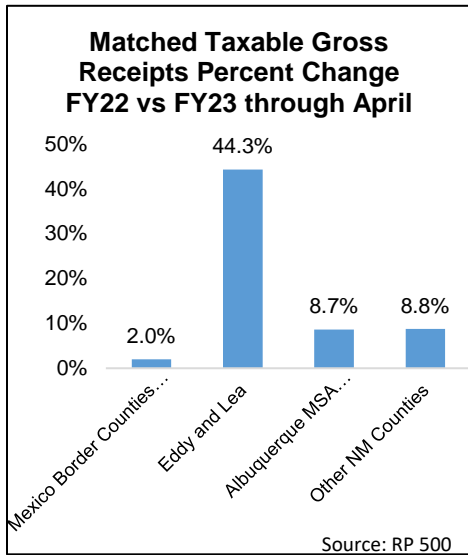
Background and Borderland Economic Profile

In 2020, the Economic Development Department published its 20-year strategic plan. The plan focused on the department’s previously identified nine key industries, including sustainable and green energy, aerospace and defense, sustainable and value-added agriculture, intelligent manufacturing, film and television, biosciences, global trade, outdoor recreation, and cybersecurity.

The plan analyzes strengths, weaknesses, opportunities, and threats for each industry geographically. Factors analyzed available workforce, incentives, existing infrastructure, regulatory environment, and institutional alignment (or how well the needs of the industry are supported by higher education and training institutions.) According to the analyses, the border region is well suited for more than half of the targeted industries, including global trade, sustainable energy, intelligent manufacturing, sustainable agriculture, film and television, and outdoor recreation. Despite the potential for these industries in the borderland, barriers such as workforce, physical infrastructure, and institutional alignment were consistently identified as prohibitive for full industry development.

The strategic plan emphasizes the need for collaboration between industry and higher education institutions to build capacity and workforce in all nine sectors, especially those in the border region. The plan found that “stakeholders throughout the state noted a clear disconnect between the programs offered by New Mexico’s higher education and training institutions and the needs of industry [as well as] misalignment between institutions and the state’s economic development ambitions.” The strategic plan provides several recommendations for EDD and the Department of Higher Education (HED) to bridge this gap, including identifying higher education and training institutions that can serve as regional hubs of talent development, requiring higher education and training institutions to submit annual performance reviews of their courses to identify consistently low-





LEDA		
	Jobs Created	Average Cost per Job
FY18	2,613	\$ 8,625
FY19	2,891	\$ 12,492
FY20	1,585	\$ 12,282
FY21	3,058	\$ 24,038
FY22	3,556	\$ 10,449
5-Year Average	2,039	\$ 12,759

Source: LFC and EDD

producing programs, requiring higher education and training institutions to have programs recertified every seven years, and ensuring courses taught by in-state institutions are current and relevant. It is unclear how much, if any, progress EDD and HED have made on these recommendations.

New Mexico counties on the Mexican border – Dona Ana, Hidalgo, and Luna – currently make up about 7 percent of the state’s gross receipts activity. Despite the state’s focused economic development strategies, the region’s largest sector is retail trade, accounting for about 28 percent of the area’s total matched taxable gross receipts (MTGR), as seen in Attachment 2 of the appendix. Healthcare and construction are also significant sectors in the area – accounting for 12 percent and 14 percent of MTGR, respectively. Other significant contributors to the borderlands’ gross receipts base include accommodation and food services, professional services, and other in-person services. While manufacturing comprises nearly 8 percent of total gross receipts in the region, much of that activity is deducted from taxable gross receipts to address pyramiding in the sector, reducing its share of the tax base to only 2 percent.

While much of the state experienced sizeable increases in MTGR in FY23 through April, the combined MTGR of border counties is up only 2 percent. Most of the slowdown is due to significant construction activity in the area in FY22 that has since decreased in FY23 – namely in Dona Ana and Hidalgo counties. Luna County, despite contributing just 0.6 percent to the state’s overall MTGR, is showing one of the highest growth rates of all counties this fiscal year, up \$96 million in MTGR from the same period last year, as shown in Attachment 1 of the appendix. Hidalgo County MTGR is roughly flat in FY23 to date, while Dona Ana County is up about \$5 million with gains in retail, accommodation and food services, and healthcare largely offsetting large losses in the construction industry.

Overall, the border region is showing less growth in FY23-to-date compared with the rest of the state. However, within certain industries, the region is performing stronger. For example, retail trade, healthcare, and transportation and warehousing in the border area grew more than other parts of the state, as shown on Attachment 3 of the appendix. Professional services, wholesale trade, and real estate MTGR is growing similarly in the border region to the state overall. However, the construction and manufacturing industries in the border region are down 25 percent and one percent, respectively, in FY23 through April, compared with a combined 17 percent and 12 percent year-over-year growth in non-border counties.

Development Tools Used in the Borderlands

New Mexico continues to make large investments in economic development across the state and in the borderlands. Existing programs encouraging development include LEDA, JTIP, Economic Development Department programs, the Border Authority, and other tax incentives.

Local Economic Development Act (LEDA)

LEDA can be used to support three types of projects: infrastructure/improvement, economic development (job creators), and retail. As of May 2023, the department awarded a total of \$10.3 million in LEDA funds with 853 jobs announced at an average cost per job of \$12 thousand. A total of \$12.9 million in LEDA funds has been awarded to the borderland since FY21. Table 1 of the appendix details LEDA awards, private investments, jobs created by community or county and cost per job for the past five years (FY18 – FY22).

The Economic Development Department actively resumed recruiting businesses in 2021 after focusing on helping existing businesses weather the pandemic throughout 2020. The department quickly recovered overall jobs created but was much slower to recover jobs created in rural areas, including borderland counties. The department targeted rural job creation in 2021 and 2022, resulting in a greater share of total LEDA awards going to borderland counties.

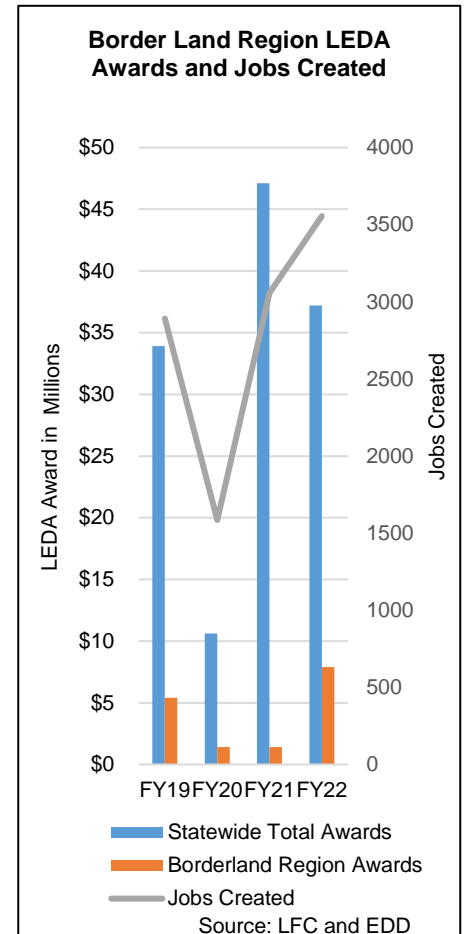
In the last five years, the state has invested \$210 million in LEDA awards, creating approximately 9,500 new jobs at an average cost per job of \$12.7 thousand. Cost per job varied greatly over that time, ranging from \$8,625 per job in FY18 to \$24 thousand per job in FY21 when awards increased to encourage post-pandemic recovery. In FY22, the department awarded fewer dollars to less companies than in FY21, but created significantly more jobs, resulting in a greater return on investment for the incentive program.

During the 2023 Legislative session, the Local Economic Development Act fund received \$13 million in non-reverting funds. As of May 2023, remaining uncommitted LEDA funds totaled \$12 million.

Job Training Incentive Program (JTIP)

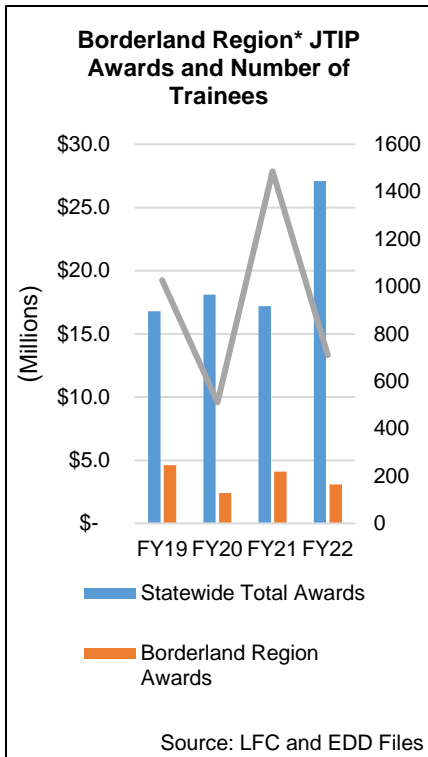
JTIP funds classroom and on-the-job training for newly-created jobs in expanding or relocating businesses for up to six months. The program reimburses 50 percent to 75 percent of employee wages. Custom training at a New Mexico public educational institution may also be reimbursed.

Though funding for JTIP has grown steadily, it is unclear how many jobs are actually created as a result of the program. A November 2022 LFC program



JTIP		
	Number of Trainees	Average Cost per Job
FY19	2,333	\$ 7,187.1
FY20	2,202	\$ 8,212.3
FY21	3,029	\$ 5,690.4
FY22	2,158	\$ 12,590.0
3-Year Average	2,521	\$ 7,030.0

Source: LFC and EDD



evaluation found between FY16 and FY21 JTIP only paid out \$21.3 million out of \$93.3 million committed to companies. The underutilization of three times what the department has spent in the program in any given year.

In the borderland region, JTIP awards totaled \$3.1 million in FY22, providing training to 710 employees in Dona Ana County and 21 employees in Luna County. The borderland region, which accounts for about 12 percent of the state’s total population, received 12 percent of total JTIP awards, accounting for 35 percent of the total employees trained by JTIP in the same fiscal year. The three-year trend shows that the borderland region receives an average of \$3.7 million in JTIP awards or 22 percent of the total statewide investment.

New Mexico Film Office and Tax Credits

The film office’s primary purpose is to market the state to the film, television, and emerging media industries, service the recruited productions and companies, and promote job and business opportunities for New Mexico residents. This includes consulting with production companies regarding the financial aspects of their projects and helping them apply for tax incentives refunding 25 percent to 35 percent of qualified expenses.

According to the Film Office at EDD, Over the 3 year period of FY21 to FY23 \$48.39 million in estimated direct production spend occurred in Dona Ana County. This represents 2.1% of all estimated direct production spend in New Mexico over this period. Initial estimates of \$10.93 million in tax credits will be paid out in association with these expenditures. This represents 2.4% of the tax credits estimated to be paid out for New Mexico as a whole for productions occurring over this period.

New Mexico Border Authority and Export Economy

New Mexico’s Columbus and Santa Teresa ports of entry serve as key gateways from Mexico to the United States. Commercial vehicle traffic was briefly stalled in 2020 because of the pandemic, but quickly recovered and steadily increased. In 2022, nearly 170 thousand commercial vehicles crossed through the Santa Teresa Port of Entry (POE), a 4.4 percent increase over 2021 and a 20 percent increase since 2019 pre-pandemic crossings.

Several factors make New Mexico’s ports of entry competitive or preferable to ports in neighboring states. In May of 2021, the Santa Teresa POE was certified to process HAZMAT cargo, which previously could only enter through El Paso. Additionally, New Mexico is the only state on the border that allows for overweight cargo up to 96 thousand pounds and 18 feet width from Mexico to enter and unload in a six-mile radius. Wait times are also significantly less for border crossing in New Mexico, with 0 to 30-minute average wait time at the Columbus Port of Entry and 45 minutes at Santa Teresa, compared to nearly 2-hour average wait times at the El Paso Port of Entry. Santa Teresa also began construction on new non-intrusive

2023 Film Tax Credit Changes

Film Tax credit expansions made during the 2023 legislative session are estimated to cost nearly \$225 million to the general fund through FY27, in addition to the existing film tax credits. The NM Film Office estimates over \$145 million in film tax credits will be paid in FY24 and over \$450 million paid between FY23 and FY27. State investment in the film industry is likely the most significant state investment ever in a single industry for economic development, despite evidence of a 12- to 39-cent state tax return on the dollar. The most recent changes included raising the cap for films not by New Mexico film partners, expanding subsidies for nonresidents, and enhancing the benefit of filming in rural locations. To date, only three film partners have been announced with only Las Cruces’ 828 Studios located in the border region and outside of Albuquerque.

inspection technology, which, when completed, will quickly inspect 99 percent of all trucks crossing the border, expediting commercial crossing without compromising national security.

Santa Teresa's industrial base of six thousand workers now accounts for 60 percent of New Mexico's total global exports, surpassing Albuquerque, a city of 562 thousand people. Exports include steel coil, livestock, electronic parts, textiles for car seating, and other materials. New Mexico's total exports to Mexico totaled \$4.5 billion in 2022, up significantly from \$2.4 billion in FY20. According to the Mexican Secretary of Foreign Affairs, Mexico's trade with New Mexico alone outpaced its trade with South and Central America combined.

Alfalfa is quickly becoming a solid commodity for the Columbus POE. It is nearing the second most important commodity for the port, according to Columbus Border Patrol. The Border Authority is planning to connect industry leaders in Chihuahua, Mexico with Columbus port officials to highlight the benefits of that port for commercial crossings.

TIDD – Downtown Las Cruces

Of the seven active Tax Increment Development Districts (TIDDs) in the state, the borderland houses one for Downtown Las Cruces. The TIDD was formed in 2008 and received 75 percent of state, county, and city GRT and property tax increments. The TIDD received the state dedication of GRT until reaching an \$8 million dollar cap in 2018, and no longer receives state revenues. As of the last report to the Board of Finance in November of 2018, \$18 million of capital improvements had been made and an estimated 204 new jobs were created by the Downtown Las Cruces TIDD.

The City of Las Cruces recently approved two Metropolitan Redevelopment Areas (MRAs) which allow for the contribution of public resources to private redevelopment projects. The designation of an MRA includes a corresponding plan that outlines specific redevelopment projects and often includes tax abatements or establishing a Tax Increment Financing District (TIF) or Tax Increment Development District (TIDD). The city council has not moved forward with either a TIDD or a TIF for these MRAs, but will likely consider it in the future.

Infrastructure Investments

The Legislature has prioritized border development. In the 2022 regular session, the Legislature appropriated \$29.5 million in federal relief funds for the border area, comprising of \$20 million for improvements to the Santa Teresa Jetport, and \$9.5 million (with an additional \$5 million in capital outlay funding) to plan, design, and construct flood control structures at the Columbus port of entry. The Legislature also appropriated about \$1 million during the 2023 regular session to renovate and improve the Las Cruces International Airport, further improving access to the border region.

Other projects include the Columbus wastewater project, a parking lot in Santa Teresa, and a road extension in Sunland Park.

TIDD Financing

Tax Increment Development Districts (TIDDs) are special districts that use incremental tax revenues generated by a development project to fund public infrastructure associated with those development projects and are intended to spur development where it might not otherwise occur. TIDDs may receive incremental gross receipts tax (GRT) or property tax revenues from the state, the county, and the municipality and/or property tax increment revenues from the county and municipality. Those revenues can be used to fund infrastructure, which would eventually be deeded to the appropriate government that would then operate and maintain the public infrastructure. In the case of state GRT revenues, those revenues must be used to pay off debt (short- or long-term bonds) created by financing the infrastructure.

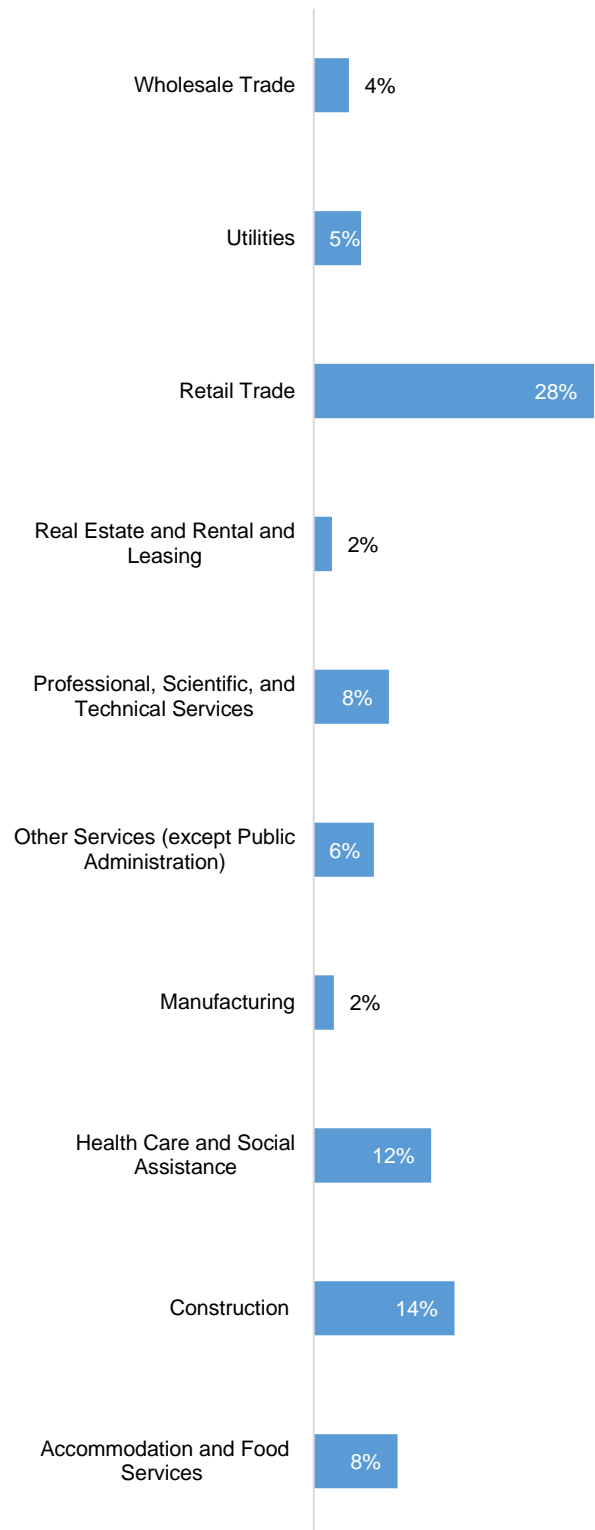
Appendix

ATTACHMENT 1. Change in Matched Taxable Gross Receipts, FY23 vs FY22 (fiscal year-over-year through April, in millions)



Source: RP 500

Attachment 2. Mexico Border Counties Composition of Matched Taxable Gross Receipts (FY23 through April)



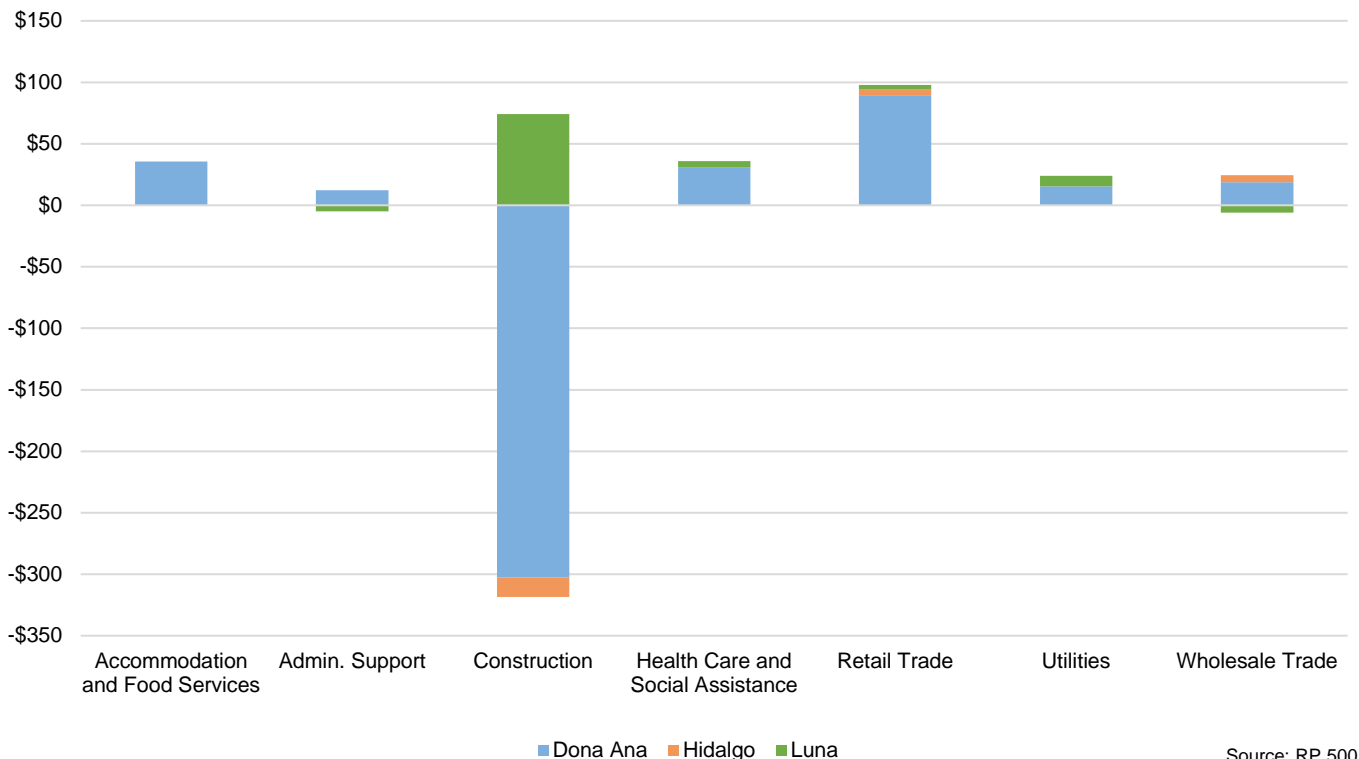
Attachment 3. Percent Change in MTGR by Select Industry, FY23 vs FY22
(fiscal year-over-year through April)



*Other NM counties excludes Eddy and Lea counties and out-of-state receipts

Source: RP 500

Attachment 4. Change in MTGR for Select Industries, FY23 vs FY22
(fiscal year-over-year through April)



Source: RP 500

Table 1. 5-Year LEDA Investments and New Jobs Created

Community	Company	Private Investment	LEDA Investment	New Jobs Created	Cost per Job
FY21					
Roswell	Ascent Aviation Services	\$ 25,000,000	\$ 4,000,000	360	\$ 11,111.11
Moriarty/Roswell	SCEYE	\$ 50,000,000	\$ 5,000,000	140	\$ 35,714.29
Las Cruces	LaSen	\$ 8,546,000	\$ 750,000	79	\$ 9,493.67
Rio Rancho	NTxBio, LLC	\$ 26,900,000	\$ 5,000,000	116	\$ 43,103.45
Albuquerque	Netflix 2	\$ 500,000,000	\$ 17,000,000	994	\$ 17,102.62
Santa Teresa	Prent Corporation	\$ 2,192,000	\$ 500,000	85	\$ 5,882.35
Albuquerque	New Mexico Fresh Foods	\$ 9,344,644	\$ 750,000	74	\$ 10,135.14
Santa Teresa	Cymmetrik	\$ 1,000,000	\$ 160,000	10	\$ 16,000.00
Spaceport America	SpinLaunch	\$ 45,450,000	\$ 4,000,000	59	\$ 67,796.61
Subtotal		\$ 668,432,644	\$ 37,160,000	1917	\$ 24,037.69
FY20					
Los Alamos	Pebble Labs	\$ 60,000,000	\$ 4,000,000	175	\$ 22,857.14
ABQ	Jabil	\$ 42,000,000	\$ 750,000	120	\$ 6,250.00
Las Cruces	420 Valley LLC	\$5,875,000	\$400,000	55	\$ 7,272.73
ABQ	Faneuil Inc.	\$14,400,000	\$400,000	700	\$ 571.43
Cimarron	Lance Forest Products	\$755,000	\$350,000	30	\$ 11,666.67
ABQ	Kairos Power	\$180,000,000	\$4,000,000	70	\$ 57,142.86
Las Cruces	Big Tuna USA	\$6,900,000	\$200,000	30	\$ 6,666.67
Lovington	Big Dog Industries	\$19,500,000	\$750,000	125	\$ 6,000.00
Santa Teresa	W. Silver Recycling	\$7,000,000	\$200,000	42	\$ 4,761.90
Las Cruces	Natural ReLeaf	\$5,908,000	\$600,000	56	\$ 10,714.29
Las Vegas	High Plains Processing LLC	\$1,600,000	\$100,000	20	\$ 5,000.00
ABQ	EAGL Technology	\$1,700,000	\$200,000	16	\$ 12,500.00
Upham	HAPSMobile/AeroVironment	\$2,500,000	\$500,000	30	\$ 16,666.67
Santa Fe	SavantX Inc.	\$2,500,000	\$450,000	116	\$ 3,879.31
Subtotal		\$350,638,000	\$12,900,000	1585	\$ 12,282.12
FY19					
City of ABQ	Advanced Network Management	\$6,000,000	\$750,000	20	\$37,500
Bernalillo County	Resilient Solutions 21	\$2,000,000	\$800,000	80	\$10,000
Bernalillo County	Indica Labs	\$3,130,000	\$600,000	58	\$10,345
Bernalillo County	Kevothermal	\$3,500,000	\$300,000	20	\$15,000
City of Clovis	Cummins, Inc.	\$3,550,000	\$150,000	10	\$15,000
Sandoval County	Amfabsteel, Inc.	\$8,950,000	\$900,000	80	\$11,250
Dona Ana County	Admiral Cable	\$50,000,000	\$3,920,000	342	\$11,462
San Juan County	PESCO	\$7,500,000	\$1,350,000	180	\$7,500
City of Santa Fe	Marty's Meals	\$2,038,000	\$175,000	11	\$15,909
City of ABQ	Netflix	\$ 1,000,000,000.00	\$10,000,000	1,027	\$9,737

McKinley County	Rhino Health	\$49,000,000	\$3,500,000	350	\$10,000
Bernalillo County	3D Glass Solutions	\$23,000,000	\$2,000,000	139	\$14,388
City of Anthony	Valley Cold Storage	\$16,500,000	\$200,000	0	\$0
City of Las Cruces	Ganymede Games	\$1,395,000	\$250,000	51	\$4,902
City of ABQ	NBCUniversal	\$30,000,000	\$7,700,000	333	\$23,123
Rio Arriba County	C4 Enterprises	\$400,000	\$75,000	8	\$9,375
Dona Ana County	Boutique Unlimited Las Cruces	\$1,250,000	\$1,250,000	182	\$6,868
Subtotal		\$1,208,213,000	\$33,920,000	2891	\$12,492
FY18					
Chaves	USA Beef Packing	\$5,000,000	\$400,000	57	\$7,017.54
Bernalillo	Raytheon ABQ	\$15,700,000	\$980,000	60	\$16,333.33
San Juan	PESCO	\$5,300,000	\$1,000,000	170	\$5,882.35
Bernalillo	Flagship Foods ABQ #2	\$2,500,000	\$550,000	113	\$4,867.26
Valencia	Facebook Building #2	\$250,000,000	\$0	50	\$0.00
Santa Fe	Descartes Labs	\$4,209,000	\$700,000	50	\$14,000.00
Los Alamos	UbiQD, LLC	\$550,000	\$125,000	20	\$6,250.00
Otero	PreCheck, Inc.	\$250,000	\$100,000	30	\$3,333.33
Santa Fe	Meow Wolf	\$4,000,000	\$850,000	250	\$3,400.00
Bernalillo	Vitality Works	\$7,000,000	\$550,000	80	\$6,875.00
Grant	Agmechtronix, LLC	\$1,545,000	\$250,000	23	\$10,869.57
Bernalillo	Carenet Health Services	\$3,000,000	\$636,566	244	\$2,608.88
Dona Ana	Corrugated Synergies International	\$30,000,000	\$1,005,000	120	\$8,375.00
Bernalillo	Lavu	\$1,670,000	\$270,000	46	\$5,869.57
Chaves	Leprino Foods	\$15,000,000	\$200,000	5	\$40,000.00
Dona Ana	Stampede Meat	\$36,000,000	\$3,000,000	1,295	\$2,316.60
Subtotal		\$381,724,000	\$10,616,566	2613	\$8,624.90
FY17					
Valencia	Niagara Bottling	\$23,000,000	\$500,000	41	\$12,195.1
Dona Ana	X2nSAT, Inc.	\$2,500,000	\$300,000	30	\$10,000.0
Bernalillo	McClintic RDM, Inc.	\$1,000,000	\$100,000	10	\$10,000.0
Valencia	Facebook	\$250,000,000	\$10,000,000	50	\$200,000.0
Bernalillo	CSI Aviation	\$3,087,762	\$500,000	10	\$50,000.0
Dona Ana	Wholesome Valley Farms	\$12,000,000	\$620,000	90	\$6,888.9
Sierra	T or C Brewing Company	\$999,000	\$125,000	9	\$13,888.9
Valencia	Keter Plastics	\$35,000,000	\$2,000,000	175	\$11,428.6
Chaves	Dean Baldwin Aircraft	\$6,500,000	\$1,000,000	70	\$14,285.7
Bernalillo	El Pinto Foods	\$7,600,000	\$250,000	25	\$10,000.0
Dona Ana	NM Greenhouse Holdings	\$850,000	\$150,000	0	\$0.0
Santa Fe	Second Street Brewery	\$1,850,000	\$100,000	5	\$20,000.0

Bernalillo	Mt. Taylor Manufacturing	\$1,000,000	\$100,000	5	\$20,000.0
Lea	Drylands Brewing Co.	\$950,000	\$100,000	10	\$10,000.0
Subtotal		\$346,336,762	\$15,845,000	530	\$27,763.37
Grand Total		\$2,955,344,406	\$110,441,566	9,536	\$17,039.97