



New Mexico Association of Regional Councils

White Paper:

New Mexico's Economic Development Strategy

Prepared by

**The New Mexico Association of Regional Councils
With the assistance of New Mexico State University's Arrowhead Center**

Prepared for:

New Mexico State Legislature

The Economic and Rural Development Interim Committee

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Region I Northwest New Mexico Council of Governments	Region II North Central New Mexico Economic Development District	Region III Mid-region Council of Governments	Region IV Eastern Plains Council of Governments	Region V Southwest New Mexico Council of Governments	Region VI Southeastern New Mexico Economic Development District	Region VII South Central New Mexico Council of Governments
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Introduction:

The New Mexico Association of Regional Councils (NewMARC) is an umbrella organization representing the seven New Mexico regional planning councils (also known as Councils of Governments and Economic Development Districts) covering all 33 counties in the state. Each of the councils is funded annually by the U.S. Economic Development Administration (EDA) to develop, update and manage a regional “Comprehensive Economic Development Strategy” (CEDS). On the wave of a recent national trend toward the formulation of coordinated statewide plans, in Fall 2012 NewMARC was awarded funding by EDA to prepare a Statewide CEDS for New Mexico. NewMARC has been working on the Statewide CEDS project since January 2013 with an anticipated completion date of September 2014. The timeline is discussed in more detail below.

This white paper describes the need for an economic development strategy in New Mexico, the relationship of the CEDS project to other planning efforts in New Mexico, the progress of the CEDS effort to date, and the anticipated outcomes of the project. Questions and comments are welcome and should be directed to NewMARC Chairman Hubert Quintana, Executive Director of the Southeastern New Mexico Economic Development District.

The need for a New Mexico economic development strategy:

New Mexico is a state with abundant natural resources including oil, natural gas, coal, copper, uranium and potash. New Mexico has also been a major contributor to technological change, especially since World War II. The state is home to two national laboratories (Los Alamos and Sandia), three major research universities, and hundreds of private firms involved in high technology activities. New Mexico exports a variety of products and services to the rest of the nation and around the world. The people of New Mexico are hard-working, energetic, and innovative. Individually and in combination, these economic development assets should be indicators of an extraordinary economic development success story.

Yet, New Mexico has not realized its full economic potential. In 2012 New Mexico ranked 43rd among the 50 states in terms of per capita income (U.S. Bureau of Economic Analysis, August 2013). New Mexico’s per capita income in 2012 (\$35,079) was 82 percent of the national

average. Fifty years ago (1962), New Mexico's per capita income ranked 39th among the 50 states and was also 82 percent of the national average. Over the five decade period, New Mexico's per capita income ranged from 75 percent to 82 percent of the national average. New Mexico can do better. New Mexicans deserve better.

New Mexico has also been slow to recover from the severe national recession that began in December 2007. While New Mexico was not as severely affected by the recession as many other states, the state had lost over 51,000 jobs (non-farm payroll employment) by September, 2010. As of July, 2013 New Mexico had 41,000 jobs fewer than it had in December 2007. At current rates of employment growth, it will be 2017 or 2018 before New Mexico has as many jobs as it did in December, 2007. In other words, the state will have experienced a decade in which the number of jobs did not grow. Other states, including New Mexico's neighboring states have recovered from the recession at a faster pace.

New Mexico's economy can perform better than it has. A prosperous New Mexico economy – one that provides the opportunity for jobs and adequate income for all New Mexicans –requires a systematic, coordinated economic development strategy. Ideally, this new strategy would have widespread approval in both the public and private sectors.

What is economic development?

Economic development is not the same thing as economic growth. Economic growth is easily quantified (e.g., GDP or employment increased by some amount or some percent). Growth may occur without any substantial change in the structure of the economy. That is, economic growth may occur if output or employment increased at the same rate in all industries. As a result, the economy in question might be just a larger version of what it was in the past. The goals of an economic growth strategy are easily specified and reasonable target dates for accomplishing the goals can be established. Success or failure of an economic growth strategy can be determined numerically and without much effort.

Economic development is more complex than economic growth. Gunnar Myrdal, a Nobel Laureate in economics, defined economic development as “the upward movement of an entire social system.”

Economic development is a long-term process with no end date. Economic development necessarily involves structural change. The transformation of the US economy from a mainly agricultural economy to an industrial economy and then the transformation from a mainly industrial economy to a service-oriented economy are dramatic examples of structural change. The key point is that economic development does not involve more of the same.

Economic development is not the result of some automatic process or natural tendency in the economy. A first critical step in the process is a working definition of economic development. Once that definition is agreed upon, specific goals, objectives, and policies are largely determined. NewMARC decided on the following as an initial definition of economic development.

“Economic development” refers to strategically directed efforts by groups, institutions and individuals to bring about change in the conditions, the systems, the resources and the opportunities that support the growth and sustenance of prosperity and quality of life for our citizens in their households and communities.

The economic development process includes, but is not confined to any single element of, a range of activities, interventions and strategies that are designed to develop and sustain “economic ecosystems” that support the growth of wealth in communities, which may include investments in multiple forms of community capital, such as: Intellectual; Individual; Social; Natural; Built; Political; Financial; and Cultural.

Such economic development activities may include efforts organized around demographic research and comprehensive strategic planning; the attraction and recruitment of employers from outside the community; the retention and expansion of existing businesses within the community; increased access to financial capital;

preparation of the workforce for livelihood in markets and occupations in high demand; asset-based community development processes; the development of physical infrastructure essential to new and sustained economic activity; the redevelopment of brownfields, downtowns and other properties that return local assets to high productivity; the development of civic and institutional capacity for economic leadership; research and other support for innovation and commercialization of new technologies; and other activities aligned with sustained prosperity and well-being in communities.

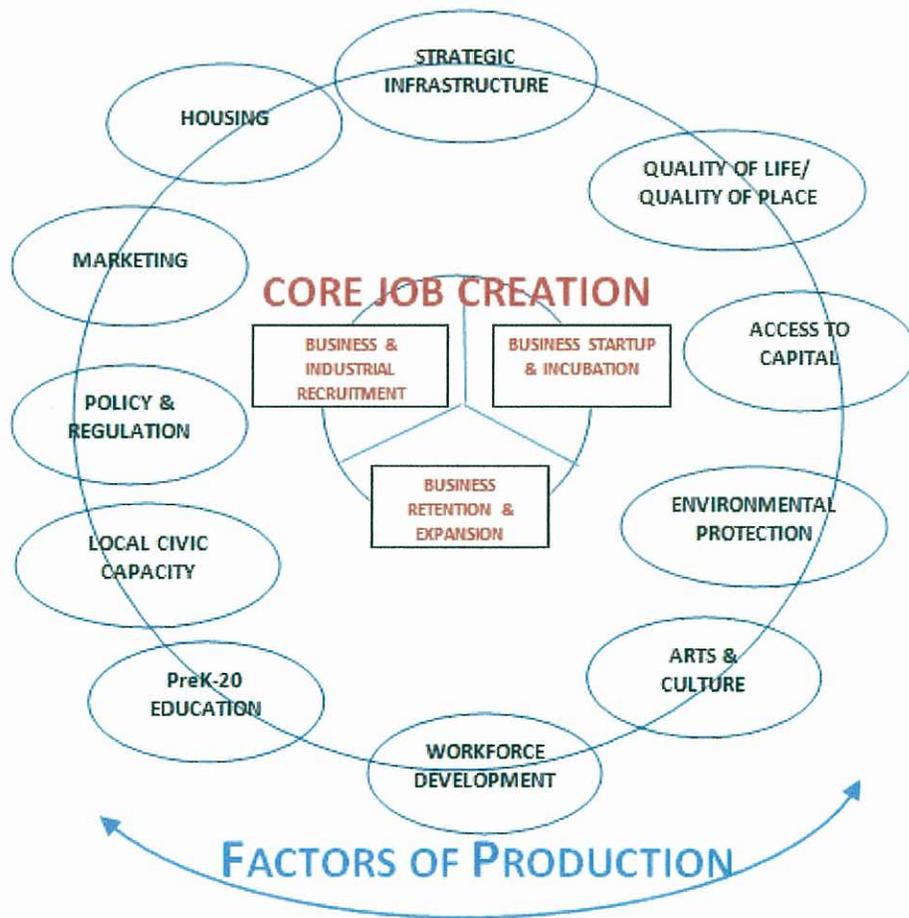
NewMARC solicited comments and input on this definition and other issues in an on-line survey sent to economic development professionals and others with an interest in the economic development planning process. The survey results are being used to refine the definition of economic development and the basic framework.

Selected common themes from the survey responses include:

- Several respondents thought the proposed definition needed no changes.
- Other respondents thought that the definition of economic development was too long and should not include references to “how to” items such as many of the activities mentioned in the last paragraph of the definition. One respondent expressed this theme as follows: “It just needs to be stated more succinctly. The content is good, but the average citizen or business person isn’t going to take the time to read three paragraphs.”
- Some respondents thought that sustainability should be mentioned in the definition,
- One respondent thought that the poor should be mentioned explicitly.
- Other respondents thought that rural-urban disparities should be included in the definition.
- Several respondents indicated the definition should be focused on creating new businesses.
- Many respondents thought that education and work-force training should be a central focus of the definition.
- Many respondents thought that the definition should be limited to wealth creation. From the context of the responses it was obvious that ‘wealth’ creation was a phrase referring to increased income. Wealth is a stock, income is a flow. These concepts are frequently confused.
- Some respondents thought that the key to economic development was regulatory and legal reform. Similar responses suggested that “free markets” are critical elements in economic development.

Although there were many suggestions for improvement of the definition, most respondents seemed to suggest that the definition needed only minor changes. Not surprisingly, many of the survey responses were contradictory (e.g., include more, make the definition shorter). A more complete report on the survey responses will be forthcoming.

The planning framework is shown in the following diagram which illustrates the complex, inter-related critical factors in the strategy. NewMARC proposes a comprehensive approach that transcends the “either/or” dichotomy between “core job creation” (the traditional economic development disciplines) and “factors of production,” i.e., those factors that accompany and support – often as prerequisites to – direct job creation activity.



In addition to a definition of economic development, NewMARC has identified five keys to the planning process. The five keys are:

- Infrastructure
- Innovation and sustainability
- Business climate and competitiveness
- Education and talent supply, and
- Quality of life

The five keys will be used as a framework for the development of the seven regional plans and the overall state strategy. Each key contains several sub-categories listed in an attachment to this white paper.

Strengths, Weaknesses, Opportunities, and Threats (SWOT)

As part of the CEDS planning process, NewMARC, with the input of various stakeholders, has identified the following strengths, weaknesses, opportunities, and threats to the New Mexico economic development process. While this list should not be viewed as complete, it will serve as a useful guide to the design of the CEDS.

	(+)	(-)
	<u>Strengths</u>	<u>Weaknesses</u>
Internal	Good source of natural resources Good source of cultural diversity; work ethic A lot of open space Amenities "Enchantment" Good climate Federal base money; military, tribal Border State Geographic diversity Affordability Technology Agricultural base	Workforce Stressed water supply Education ranking Poverty levels Infrastructure Dependant on government Under utilizing ports Lack of interagency collaboration Isolation of rural communities Lack of leading sector Lack of consistent strategies Poor health Access to systems
	<u>Opportunities</u>	<u>Threats</u>
External	International border Technology transfer; Sandia, Los Alamos Tourism Renewable energy Conservation/restoration/utilization Statewide broadband initiative Entrepreneurial boost Language Alternatives/innovation	Terrorism Water Federal budget Education system Tax system Labor talent Price Validity General macro-economy Natural disasters Global competition Transportation Transportation Rate

Other New Mexico Economic Strategy Planning Efforts

In addition to the NewMARC effort to create a statewide plan (CEDS), several other economic strategy efforts are also underway.

The New Mexico Department of Economic Development (EDD) is required by state law to submit a five year strategic plan (EDD presentation, July 23, 2013). The five year strategic plan

is in addition to annual fiscal reports containing a budget request and annual performance goals. Unlike, the annual fiscal reports, EDD's five year plan is not restricted to current projects and activities. EDD has held a series of public meetings, including meeting with each of the seven COGs to seek input regarding its five year plan. EDD's five year plan is scheduled for completion in October 2013. EDD has established the following top priorities:

1. Re-tool the tax code and regulatory environment
2. Restore state incentives and programs, such as JTIP, CCI, cooperative advertising
3. Infrastructure development
4. More statewide rural entrepreneurship assistance/business incubators serving each region
5. Reform LEDA
6. Enhance workforce training programs

In addition, EDD has identified the following target sectors:

1. Energy & Natural Resources
2. Aerospace and Defense
3. Value-Added Agriculture
4. Distribution, Logistics & Transportation
5. Digital & Emerging Media
6. Advanced Manufacturing
7. Back Office & Technical Support

The New Mexico Jobs Council was created by the state legislature in April 2013 to:

“ . . . identify the number of new, economic-base jobs that must be created in the next 10 years in order to return to pre-recession job number levels. The Jobs Council will also begin to identify the sectors to target and the initiatives and policies to implement in the next three to five years in order to spur that 10-year growth.”

The Jobs Council has already held a number of public meetings around the state. The general approach of the Jobs Council is to determine numeric goals for a number of critical variables for the state. These are described in the Jobs Council’s Predicament Matrix shown below.

Interim Jobs Council of the New Mexico State Legislature PREDICAMENT MATRIX Background Worksheet for Jobs Council Session 3 / Taos, NM / August 8, 2013						
	Population 2013	Population 2023	Calculus Used (2013)	Calculus Used (2023)	Δ Decade Deltas	Descriptions
Population Growth	2,091,000	2,300,100		10%	209,100	Change in New Population
Workforce Participation	993,225	1,092,546	48%	48%	99,323	Change in Jobs for Population Growth
Unemployment Rate	89,390	43,702	9%	4%	45,688	Jobs to reach Goal Unemployment Rate
Employment Rate	903,835	1,048,846	91%	96%	145,011	Total Jobs Needed at Goal Employment Rate
E-base Jobs Rate	316,342	367,096	35%	35%	50,754	E-base jobs needed for full employment
E-base Attrition Rate		110,129		30%	110,129	To replace E-base jobs lost
Total E-base Needs					160,883	Total E-base jobs needed
Annual E-base					16,088	Average E-base jobs needed per Year
Program Reliant						How many are procured by programs vs. automatically?

The Jobs Council is in the process of determining what would be required in each county to achieve the goals specified in the predicament matrix. The focus of the Jobs Council is on the number of economic base jobs in each county required to reach the goals. During the process, particular industry sectors and specific state policy actions will be identified. The Jobs Council anticipates completing its work and issuing a report prior to the next legislative session in January 2014.

The New Mexico Department of Workforce Solutions (DWS) is also actively involved in the economic development planning process. DWS is required by the Workforce Investment Act, Title I (Wagner-Peyser Act) to develop a statewide workforce development plan. The plan (State Integrated Workforce Plan) “is a collaborative effort between the Governor, the State Workforce Development Board, and the Department of Workforce Solutions as state administrative entity” (p. 4) is available at:

http://www.dws.state.nm.us/Portals/0/DM/Partners/State_Integrated_Workforce_Plan_Final_010313.pdf

The plan is designed to ensure that New Mexico has a well-trained and employable workforce for future economic growth. The plan emphasizes education (at all levels) and training as prerequisites for employability. The plan also emphasizes the fact that New Mexico’s work force is far from homogeneous. Differences in the workforce by age, race, ethnicity, and education are carefully documented in the plan. The result is a plan that recognizes that no single approach to work-force development is appropriate.

In addition, DWS provides employment projections by occupation and industry for the state and sub-state regions on a regular basis. DWS also issues two annual reports that are very useful in

the economic development planning process: (1) New Mexico Annual Social and Economic Indicators, and (2) State of New Mexico Workforce Reports. These reports are available at: <http://www.dws.state.nm.us/LaborMarketInformation/Publications/EconomicResearchPublications> .

New Mexico Idea (NMIDEA) is also directly involved in the economic development strategy process. NMIDEA is an organization affiliated with the International Economic Development Council with the mission: “To promote New Mexico's economic growth through focused advocacy of economic development issues, providing networking, professional development, education, and training opportunities for its members” (<http://www.nmidea.org/>).

The New Mexico Rural Alliance (<http://www.nmrural.org/>) is also participating in various economic development efforts. In particular, the New Mexico Rural Alliance provides networking opportunities and conducts forums to promote best practices and practical approaches to economic development.

The Rural Economic Development Council was created by the Economic Development Department in 2012. The Council includes representatives of rural, frontier and tribal communities, as well as economic development partner agencies. The Council will focus on capital outlay reform and training. (<http://www.gonm.biz/uploads/files/quarterlyReportFY13Q2.pdf>).

In addition to the public sector organizations already described, a number of private sector groups are also involved in contributing to a New Mexico economic development strategy.

The need to coordinate the various economic development planning efforts in New Mexico is obvious. The state needs a single, systematic, well-designed economic development strategy to

produce a vibrant, growing economy to benefit all New Mexicans. DWS recognized the problem in the following statement: “There is a disconnect between workforce development and economic development efforts resulting in little or no alignment of workforce and economic development strategies.” (State Integrated Workforce Plan, p. 44).

The coordination problem encompasses more than what is included in the DWS statement. To be successful, a state strategy must recognize that economic development necessarily involves all aspects of state policy. A short list of state policy issues related to economic development includes: infrastructure investment, workforce development, public education, higher education, environmental regulation, tourism, health, tax-structure and tax expenditures. A comprehensive state economic development strategy needs to encompass all of these policies areas and ensure that all groups are on the same-page.

The purpose of the statewide CEDS is to serve as a comprehensive blueprint that reflects and supports the diversity of private and public sector stakeholder interests in the economic development field, while providing a broad-based, unifying structure for guiding, coordinating, prioritizing and evaluating the full spectrum of economic development efforts undertaken by various groups, agencies and communities throughout the state. It will further seek to identify and promote public and private policies and investment priorities that will most effectively build and sustain a prosperous economy.

Anticipated Outcomes:

NewMARC anticipates the following outcomes from the CEDS process:

- Development of a statewide Comprehensive Economic Development Strategy for the State of New Mexico. The CEDS will include a statewide focus on community and economic development issues relating to local governments, state agencies, private business/industry and educational institutions.
- Development of a cohesive relationship between the existing approved CEDS documents for each of the seven COGs/EDDs and the CEDS document being developed for the State of New Mexico.
- Public forums (already underway) for open discussion by community and economic development leaders and organizations across the state to hone in on the direction New Mexico should proceed with its economic development efforts and the setting of targets (goals) that will provide long-term guidance for the COGs/EDDs and the New Mexico Economic Development Department.
- Provision of technical assistance and capacity building support for the COGs/EDDs in each region to provide the necessary support for private sector innovation, entrepreneurship and competitiveness.
- Identification, communication and sharing of best practices in each of the seven regions, including the sharing for economic and community development highlights that feature successful regional projects with the potential of replication in other regions.
- Development of a statewide communications strategy for regional economic development initiatives, including website development and promotional materials with a targeted audience to include distressed communities, Native American Tribes and Pueblos, and Colonias communities.
- Identification of trade shows for targeting business and industry within the State to promote economic development opportunities in distressed communities.
- Promotion and facilitation of conversations concerning regional economic development activities in distressed communities and COG/EDD regions, including with local elected

officials, state and federal officials, private sector representatives, community partners, and economic development organizations.

- Development of a statewide project to organize the status tracking and monitoring of funded economic development projects within each region.
- Development of a template that will standardize regional CEDS documents in a manner that will support the statewide CEDS and work with the EDD five year plan.

Plan Coordination and Communication

To ensure real-time sharing of CEDS information, and to provide a web-based tool for representing the range of projects and initiatives – within regions and statewide – NewMARC is partnering with Paladin Data Systems of Poulsbo, Washington, to develop a pilot website utilizing Panoramic[©] project collaboration software. This pilot project, with initial seed funding from the New Mexico Department of Transportation and Department of Aging & Long-Term Services, was recently showcased at the annual conference of the National Association of Development Organizations. NewMARC plans to include the Statewide CEDS in the next phase of this pilot project. The public portal for this pilot website can be found at www.newmarc.paladinpanoramic.com.

Timeline of CEDS Activities

January 1, 2013 to January 31, 2013:

NewMARC Directors met with New Mexico Department of Economic Development Secretary Jon Barela, Deputy Secretary Barbara Brazil, Therese Varela-Director of the Economic Development Division and other key staff. The meeting was to discuss

statewide CEDS goals and work plan; discuss existing and current State of New Mexico 5 year Economic Development Plan and Plan Update. A copy of the statewide CEDS approved EDA scope of work was provided to Secretary Jon Barela.

February 15, 2013 to April 15, 2013:

NewMARC Staff met with Dr. James Peach, NMSU-Arrowhead Center, to review roles for the statewide CEDS—discussion to include the Doctoral Degree Candidates study of the current NM Economic Development 5 year plan, review of the state of Florida and Arizona statewide CEDS documents.

May 1, 2013 to December 1, 2013:

COGs/EDDs along with the Arrowhead Center at NMSU and the Economic Development Doctoral Candidates to review each of the existing EDA approved CEDS documents, State of New Mexico 5 Year Economic Development Plan, develop the White Paper and distribute to key entities, partners and individuals. Begin public hearing process (at least one public hearing in each county covered by each COG/EDD in the State).

January 15, 2014 to April 14, 2014:

Prepare draft report on the statewide CEDS for review and comment by contributors to the CEDS document.

April 15, 2014 to June 15, 2014:

Draft statewide CEDS review and comment period.

June 30, 2014 to August 14, 2014:

Prepare final statewide CEDS Report. Presentation to the Legislative Rural and Economic Development Interim Committee of the statewide CEDS document

September 1, 2014 to September 15, 2014:

Presentation of the statewide CEDS document to the Governor and her staff.

September 30, 2014:

Submit final statewide CEDS document to EDA Austin Regional Office of review and approval.

Concluding Comments:

NewMARC looks forward to the process of completing the statewide CEDS and to delivering the strategy to the Governor, the legislature and the people of New Mexico. NewMARC offers its thanks to the many people and organizations that have already contributed to the process. We welcome constructive comments and suggestions from individuals and organizations. Additional updates and progress reports on the statewide CEDS will be prepared periodically during the remainder of the process. Thank you again for your help and participation.

Attachment A

COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY FOR NEW MEXICO

5 KEYS FOR THE FRAMEWORK

Infrastructure

- Water
- Land Use
- Roads and Highways
- Natural Resources
- Electric Utility-Transmission Lines
- Energy Development
- Broadband

Innovation and Sustainability

- Entrepreneurship
- Business Support Systems
- Research and Development
- Technology Transfer
- Tax and/or other Incentives

Business Climate and Competitiveness

- Access to Capital
- Regulatory Control
- Tax Structure Overhaul
- International Trade

Education and Talent Supply

- Education Reform
- Vocational Training
- Skilled Workforce Shortage
- Talent Retention

Quality of Life

- Access to Health Care
- Availability of Affordable Housing
- Preservation of Natural Resources
- Cultural Diversity