

# **Economic and Rural Development Committee**

## **2011 INTERIM REPORT**



**New Mexico State Legislature**  
*Legislative Council Service*  
*411 State Capitol*  
*Santa Fe, New Mexico*

**December 2011**  
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## **ECONOMIC AND RURAL DEVELOPMENT COMMITTEE 2011 INTERIM SUMMARY**

During the 2011 legislative interim, the Economic and Rural Development Committee (ERDC) concentrated on topics central to the state's economy in both rural and urban areas. As in years past, the ERDC convened in areas beyond the I-25 corridor, staying true to its mission to reach out to communities all over the state.

In Tucumcari, the ERDC covered a broad range of issues, including the winding down of the New Mexico Office of Recovery and Reinvestment, as well as an overview of the economic and rural development projects that it funded; a snapshot by the Tucumcari Small Business Development Center of the successes and possibilities for development in the region; the relationship between commercial real estate and economic development; and the Federal Communications Commission's national broadband plan and its potential impact on rural New Mexico customers served by rural independent telephone companies.

The committee also dedicated an entire day's worth of presentations to the economic impact of energy on the state, both traditional and renewable, and the effort to build the transmission infrastructure necessary to get energy from producers to consumers. The hands-on aspect of this was a tour of the North American Wind Research and Training Center at Mesalands Community College.

In Santa Rosa, the ERDC heard experts from the University of New Mexico (UNM) and New Mexico State University provide an analysis of the 2010 census data, which reveal a population shift from rural to urban. The ERDC also heard a discussion of New Mexico's demand for labor by industry, now and in the near future, and the extent to which the state is meeting and plans to meet that demand.

The ERDC next met in Grants and heard presentations on the New Mexico Space Trail; the UNM School of Architecture and Planning's Community Outreach Program, Design and Planning Assistance Center and the Grants MainStreet Project; the Local Economic Development Act; an update on the effectiveness of individual development accounts to promote economic and rural development; an update on the progress of tax increment development districts; an overview of the Tourism Department's initiatives; and economic development prospects of uranium in New Mexico, including a report on New Mexico's energy strategy and economic development in Cebolleta based on uranium. The hands-on segment of the Grants meeting was a tour of the New Mexico Mining Museum.

The ERDC also met in Santa Fe, where it heard presentations regarding the vision and legislative priorities of both the Economic Development Department and the Regulation and Licensing Department; the Los Alamos National Laboratory and Sandia National Laboratories tax credit; a financial assessment of merging the Tourism Department and the Cultural Affairs Department; transportation reinvestment zones; home-based work; preventing metal theft; the Homeowners Association Act; and rural economic opportunities with Corn Board Manufacturing, Inc.; and a discussion of the economic results of tax and other incentives provided to the film industry, the energy industry, job training programs and businesses.

The ERDC endorsed one piece of legislation for the 2012 legislative session — a joint

memorial requesting that the state make the energy industry a central component of the state's economic development strategy.

**2011 APPROVED  
WORK PLAN AND MEETING SCHEDULE  
for the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

The Economic and Rural Development Committee (ERDC) was created by the New Mexico Legislative Council on May 9, 2011.

**Members**

Sen. Bernadette M. Sanchez, Chair	Rep. Dianne Miller Hamilton
Rep. Debbie A. Rodella, Vice Chair	Sen. Clinton D. Harden, Jr.
Sen. Mark Boitano	Rep. Yvette Herrell
Rep. Ernest H. Chavez	Rep. Patricia A. Lundstrom
Sen. Kent L. Cravens	Sen. Richard C. Martinez
Rep. Mary Helen Garcia	Sen. Howie C. Morales
Sen. Mary Jane M. Garcia	Sen. David Ulibarri
Rep. Nate Gentry	

**Advisory Members**

Sen. Rod Adair	Sen. George K. Munoz
Sen. Sue Wilson Beffort	Rep. Andy Nuñez
Sen. William F. Burt	Sen. John Pinto
Rep. Zachary J. Cook	Rep. William "Bill" R. Rehm
Rep. George Dodge, Jr.	Rep. Nick L. Salazar
Rep. Sandra D. Jeff	Sen. John M. Sapien
Sen. Timothy M. Keller	Rep. Thomas C. Taylor
Sen. Carroll H. Leavell	Rep. Richard D. Vigil
Rep. James Roger Madalena	

**Proposed Work Plan**

During the 2011 interim, the ERDC proposes to:

1. receive a report on existing tax increment development districts (TIDDs), including an update on the current status of Mesa del Sol and Winrock and how legislative appropriations and capital outlay funds are being spent;
2. receive a presentation from the Economic Development Department (EDD) on its current initiatives, including its vision for the next three-and-one-half years and any proposed legislation or issues that the EDD sees as its top priorities;
3. receive a report on the tax incentives and economic effects, including concrete numbers to show the economic gain or loss to the state of the film industry by the EDD and the Legislative Finance Committee (LFC);

4. receive a report on the tax incentives and economic effects, including concrete numbers to show the economic gain or loss to the state of the energy industry by the EDD and the LFC;
5. receive a report on the tax incentives and economic effect, including concrete numbers to show the economic gain or loss to the state of the Job Training Incentive Program by the EDD and the LFC;
6. receive a report from the Tourism Department and the Tourism Association of New Mexico on New Mexico tourism initiatives;
7. receive a report on homeowners association regulations and laws and their effectiveness and study the statutory and regulatory powers of homeowners associations and, conversely, the rights of members;
8. consider the economic and rural development impact of the federal stimulus package and other publicly funded projects;
9. receive a report from the Regulation and Licensing Department (RLD) regarding its vision and goals for the next three-and-one-half years and any proposed legislation or issues that it sees as its top priorities, on how to best support and promote businesses in the state and how to improve licensing of businesses in the state;
10. receive reports from various industries and angel investors to assess what must be done to bring jobs to the state. Industries include nuclear energy and waste disposal, oil and gas, mining, agriculture, conservation and recycling, renewable energy and health care;
11. evaluate the economic impact of the wine industry and microbreweries, and receive a report from the RLD and industry professionals on beer and wine licenses versus liquor licenses and determine whether policy changes are necessary;
12. receive a report on the latest census data that show an increasing shift of population from rural areas to urban areas;
13. receive an update on Spaceport America, the New Mexico Space Grant Consortium and the state historic space trail;
14. receive a report by the Higher Education Department and the Workforce Solutions Department on what careers are in demand now and in the near future in and how the state can respond;
15. receive a report by the Los Alamos National Laboratory and Sandia National Laboratories regarding their joint tax credit and how it affects economic and rural development in New Mexico;

16. receive a report on renewable energy job opportunities by Sapphire Energy;
17. receive a report on the New Mexico Partnership on the work that it does and its funding;
18. consider combining the EDD with the Cultural Affairs Department;
19. receive a report by the EDD on its performance measures;
20. receive a report on how New Mexico can develop as a work-at-home destination;  
and
21. receive an update on the effectiveness of individual development accounts in the state.

## **2011 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 8	Santa Fe
July 6-8	Tucumcari and Santa Rosa
August 2-3	Grants
November 3-4	Santa Fe

# AGENDAS

**TENTATIVE AGENDA  
for the  
FIRST MEETING IN 2011  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**June 8, 2011  
Room 322, State Capitol**

**Wednesday, June 8**

- 9:30 a.m.      **Call to Order**
- 9:35 a.m.      **Interim Committee Protocols**  
—Raúl E. Burciaga, Director, Legislative Council Service (LCS)
- 9:50 a.m.      **2011 Legislation — Summary**  
—Peter Kovnat, Staff Attorney, LCS
- 10:30 a.m.     **Vision and Legislative Priorities of the Economic Development Department**  
—Jonathan L. Barela, Secretary-Designate, Economic Development Department
- 11:30 a.m.     **2011 Interim Work Plan and Meeting Schedule**  
—Peter Kovnat, Staff Attorney, LCS
- 12:30 p.m.     **Adjourn**

Revised: July 1, 2011

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

**July 6-8, 2011**

**July 6-7, Mesalands Community College, Tucumcari  
July 8, Blue Hole Dive Training and Santa Rosa Conference Center, Santa Rosa**

**Wednesday, July 6 (Tucumcari)**

- 10:00 a.m.     **Call to Order**  
—Senator Bernadette M. Sanchez, Chair
- 10:05 a.m.     **Welcoming Remarks**  
—Jim Witcher, Mayor, Tucumcari  
—Dr. Mildred Lovato, President, Mesalands Community College
- 10:30 a.m.     **New Mexico Office of Recovery and Reinvestment (NMORR): Economic and Rural Development Projects**  
—Elizabeth Savage, Director, NMORR
- 11:30 a.m.     **Tucumcari Small Business Development Center (SBDC): Economic and Rural Development Successes and Possibilities**  
—Vicki Watson, MS, Director, Tucumcari SBDC
- 12:30 p.m.     **Lunch**
- 1:30 p.m.     **Energy Panel: Update on Projects, Tax Incentives and Laws and Regulations That Are Helping or Hurting Industry**  
—Rhonda Mitchell, Tri-State Generation and Transmission Association  
—Carl Huslig, President, ITC Great Plains, ITC Holdings  
—Sonia Phillips, Manager, New Mexico State Affairs, Xcel Energy  
—Mike Bowen, Executive Director, New Mexico Mining Association
- 3:30 p.m.     **Oil and Gas Energy Report**  
—Deborah Seligman, Energy Advocate, LLC  
—Karin Foster, Executive Director, Independent Petroleum Association of New Mexico
- 4:30 p.m.     **Recess**

**Thursday, July 7 (Tucumcari)**

- 9:00 a.m.      **Call to Order**
- 9:05 a.m.      **The North American Wind Research and Training Center (NAWRTC) at Mesalands Community College — Update and Tour**  
—Jim Morgan, Director, NAWRTC
- 12:00 noon     **Lunch**
- 1:00 p.m.      **Economic Development and Impact on Commercial Real Estate**  
—Drew Dolan, Director of Development, Titan Development
- 2:00 p.m.      **The Federal Communications Commission's National Broadband Plan and its Potential Impact on Rural New Mexico Customers Served by Rural Independent Telephone Companies**  
—Sam Ray, Lobbyist, New Mexico Exchange Carrier Group (NMECG)  
—Charlie Ferrell, Executive Director, NMECG
- 3:00 p.m.      **Recess**

**Friday, July 8 (Santa Rosa)**

- 9:00 a.m.      **Call to Order**
- 9:05 a.m.      **Welcoming Remarks: Economic Development in Santa Rosa**  
—John Serrano, City Administrator, Santa Rosa  
—Albert Campos, Jr., Mayor, Santa Rosa  
—Richard R. Delgado, Director, Economic Development and Tourism, Santa Rosa
- 9:45 a.m.      **Analysis of Census Data Revealing a Population Shift from Rural to Urban Areas and Discussion of New Mexico's Demand for Labor by Industry Now and in the Near Future and the Extent to Which the State Is Meeting and Plans to Meet That Demand**  
—Dr. Dely Alcantara, Director, Geospatial and Population Studies; Associate Research Professor in Geography, University of New Mexico  
—Dr. Jim Peach, Regents Professor, Department of Economics and International Business, New Mexico State University
- 12:00 noon     **Adjourn**

Revised: August 1, 2011

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

**August 2-3, 2011  
Cibola County Convention Center  
515 West High Street, Grants**

**Tuesday, August 2**

- 9:00 a.m.     **Call to Order**  
—Senator Bernadette M. Sanchez, Chair
- 9:05 a.m.     **Welcoming Remarks**  
—Joe Murrietta, Mayor, City of Grants  
—Felicia Casados, President, New Mexico State University-Grants; Chair, Cibola  
Communities Economic Development Foundation
- 9:35 a.m.     **The New Mexico Spacetrail**  
—Cathy Harper, Marketing/Public Relations Director, Museum of Space History,  
Cultural Affairs Department
- 10:05 a.m.    **University of New Mexico (UNM) School of Architecture and Planning  
Community Outreach Program, Design and Planning Assistance Center and  
the Grants MainStreet Project**  
—Geraldine Forbes Isais, Dean and Professor of Architecture, School of  
Architecture and Planning, UNM  
—Rich Williams, Director, New Mexico MainStreet Program
- 11:05 a.m.    **The Local Economic Development Act: What It Does and How It Works**  
—Barbara Brazil, Deputy Secretary, Economic Development Department (EDD)  
—Antoinette Vigil, Regional Representative, Region 4, EDD  
—Patrick Vanderpool, Executive Director, Greater Tucumcari Economic  
Development Corporation
- 12:05 p.m.    **Lunch**
- 1:05 p.m.     **Economic Development Prospects of Uranium in New Mexico**  
—John H. Bemis, Secretary-Designate, Energy, Minerals and Natural Resources  
Department  
—Barbara Brazil, Deputy Secretary, EDD

2:05 p.m.     **Report on New Mexico's Energy Strategy: Uranium, Fossil Fuels and Alternative Energy**  
—Dr. Jim Peach, Regents Professor, Economics and International Business Department, New Mexico State University

3:05 p.m.     **Economic Development in Cebolleta Based on Uranium**  
—Sarah Maestas Barnes, Heir, Cebolleta Land Grant  
—William Hocker, Trustee, Cebolleta Land Grant

3:45 p.m.     **Break**

4:00 p.m.     **Tour of the New Mexico Mining Museum**

4:45 p.m.     **Recess**

**Wednesday, August 3**

8:00 a.m.     **Call to Order**  
—Senator Bernadette M. Sanchez, Chair

8:05 a.m.     **Update on the Effectiveness of Individual Development Accounts to Promote Economic and Rural Development in New Mexico**  
—Ona Porter, President and Chief Executive Officer, Prosperity Works  
—Marvin Ginn, Executive Director, Native Community Finance  
—Sharon Henderson, Vice President, Prosperity Works

9:05 a.m.     **Tax Increment Development Districts: Update on Progress and Accountability for Legislative Appropriations and Capital Outlay Funds**  
—Brent Dupes, Chief Financial Officer, Mesa del Sol

10:00 a.m.    **New Mexico Tourism Update: Tourism Initiatives, Proposed Legislation, Top Priorities and Potential for a Dedicated Stream of Funding to Promote the New Mexico Tourism Industry**  
—Monique Jacobson, Secretary, Tourism Department  
—Sharon Schultz, Chief Executive Officer, Tourism Association of New Mexico

11:00 a.m.    **Adjourn**

Revised: October 31, 2011

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

**November 3-4, 2011  
Room 322, State Capitol**

**Thursday, November 3**

- 9:30 a.m.     **Call to Order**  
—Senator Bernadette M. Sanchez, Chair
- 9:35 a.m.     **The Los Alamos National Laboratory (LANL) and Sandia National Laboratories (SNL) Tax Credit and Its Effects on Economic and Rural Development**  
—Mariann Johnston, Team Leader, Economic Development Community Programs Office, LANL  
—Jackie Kirby Moore, Manager, Technology and Economic Development Department, SNL
- 10:05 a.m.    **The Regulation and Licensing Department's Vision for the Coming Years; Proposed Legislation to Promote Businesses and to Improve Business Licensing; and a Discussion of House Memorial 54 (2011) Regarding Liquor Licenses**  
—J. Dee Dennis, Jr., Superintendent, Regulation and Licensing Department
- 11:15 a.m.    **Financial Assessment of Merging the Tourism and Cultural Affairs Departments**  
—Gregory Baird, Executive Budget Manager, State Budget Division, Department of Finance and Administration (DFA)  
—David Lucero, Analyst, Legislative Finance Committee (LFC)
- 12:00 noon    **Lunch**
- 1:00 p.m.     **Transportation Reinvestment Zones**  
—James P. O'Neill, President, O'Neill Consulting LLC
- 1:45 p.m.     **Home-Based Work**  
—Mark Lautman, Founder, Lautman Economic Architecture  
—Debbie Maestas-Traynor, President, New Mexico Chapter, National Association of Women Business Owners

2:30 p.m.     **Preventing Metal Theft**  
—Leo Baca, Director, Government Affairs, CenturyLink, Inc.  
—Mike Sindelar, Detective, San Juan County Sheriff's Office  
—Minda McGonagle, Lobbyist, Responsible Metal Recyclers Initiative

3:15 p.m.     **Recess**

**Friday, November 4**

9:00 a.m.     **Call to Order**  
—Senator Bernadette M. Sanchez, Chair

9:05 a.m.     **Real Impact: Economic Results to New Mexico of Tax and Other Incentives  
of the Film Industry, the Energy Industry, Job Training Program and Businesses**  
—Jonathan L. Barela, Secretary-Designate, Economic Development Department  
—Tom Clifford, Secretary, DFA  
—Elisa Walker-Moran, Chief Economist, LFC  
—Demesia Padilla, Secretary, Taxation and Revenue Department

11:00 a.m.    **Rural Economic Opportunities with Cornboard Manufacturing, Inc.**  
—Lane Segerstrom, President and Chief Executive Officer, Cornboard  
Manufacturing, Inc.

12:00 noon    **Working Lunch — The Homeowners Association Act**  
—Representative Mimi Stewart  
—Garret Price, Vice President-Land, Pulte Homes of New Mexico, Inc.  
—Faren Dancer, President, Sundancer Creations LLC  
—Amanda Shaw, President, Associated Asset Management LLC

1:00 p.m.     **Adjourn**

# Minutes

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

**June 8, 2011  
Room 322, State Capitol**

The first meeting of the Economic and Rural Development Committee (ERDC) was called to order as a subcommittee by Senator Bernadette M. Sanchez, chair, at 9:30 a.m. on Wednesday, June 8, 2011, in Room 322 of the State Capitol in Santa Fe.

**Present**

Sen. Bernadette M. Sanchez, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Mark Boitano  
Rep. Ernest H. Chavez  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Dianne Miller Hamilton  
Sen. Clinton D. Harden, Jr.  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom  
Sen. Howie C. Morales  
Sen. David Ulibarri

**Absent**

Sen. Kent L. Cravens  
Rep. Nate Gentry  
Sen. Richard C. Martinez

**Advisory Members**

Rep. Zachary J. Cook  
Rep. George Dodge, Jr.  
Rep. James Roger Madalena  
Rep. Andy Nuñez  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Thomas C. Taylor  
Rep. Richard D. Vigil

Sen. Rod Adair  
Sen. Sue Wilson Beffort  
Sen. William F. Burt  
Rep. Sandra D. Jeff  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Sen. George K. Munoz  
Rep. Nick L. Salazar  
Sen. John M. Sapien

**Staff**

Peter Kovnat, Legislative Council Service (LCS)  
Pam Stokes, LCS  
Carmella Casados, LCS

**Guests**

The guest list is in the meeting file.

## **Handouts**

All handouts are in the meeting file.

## **Wednesday, June 8**

### **Introductions**

Legislators and staff introduced themselves. Senator Pinto noted that he is not retiring. Representative Jim Hall, appointed by the governor to replace Representative Jeannette O. Wallace, introduced himself to the committee.

### **Review of Interim Committee Protocols**

Doris Faust, assistant director for drafting services, LCS, presented a refresher course on committee protocol. She began by discussing quorums and said that a quorum for the ERDC is eight voting members present because the committee consists of 15 voting members. Once established, a quorum is presumed to exist unless it is challenged. A committee can meet as a special subcommittee without a quorum, but only for hearing testimony and not for taking action.

Ms. Faust also discussed the blocking provision for most committees, in which a majority of those members appointed from the house or senate can block the action of the committee. She explained the per diem and travel reimbursement system for the legislature and asked members to indicate their preferred method of being contacted for committee business.

Ms. Faust next discussed the difficult task of scheduling committee meetings during the interim to avoid scheduling conflicts. She said that the current proposed schedule minimizes conflicts as much as possible for voting members of committees, but that the schedule is not able to address conflicts for advisory members.

Ms. Faust also noted that there were budget cuts this year, but despite that, the ERDC is scheduled for eight meeting dates this interim, the same as the previous year. The New Mexico Legislative Council asked that all committees finish their work by December 1 and that travel outside of Santa Fe be completed by the end of August. There will be no committee meeting dates in September due to a special redistricting session. In the past, legislators were allowed four additional meeting dates outside of their assigned committees, but that may be reduced to two or three. In an attempt to save money and prevent waste, legislators were asked to opt in if they want hard copies of any meeting notices; otherwise, they would all be notified by email.

Finally, Ms. Faust discussed vouchers and how they must be filled out completely for the legislators to receive their per diem.

### **Questions**

A legislator asked for a copy of the rules that were discussed as far as committee protocols, a report on the cost savings based on the limited travel and a list of members and

committee assignments. Ms. Faust responded that she would provide that information to the committee.

### **Summary of 2011 Legislation**

Mr. Kovnat provided a summary of legislation from 2011 that related to economic development, including legislation endorsed by the ERDC, as well as legislation considered by the 2010 interim Regulatory Process Subcommittee. (See handout.)

The ERDC endorsed 15 substantive measures, of which one was ultimately enacted. The committee-endorsed measure that passed was Senate Bill 262 (Laws 2011, Chapter 129), which changes the Construction Industries Commission authority over municipal inspectors and provides flexibility to municipal building officials.

### **Committee Discussion of Endorsed Legislation**

A legislator noted that the previous year, the ERDC did not have any of its endorsed bills passed, and that this year, only one bill passed. The legislator opined that it is unclear how much weight committee endorsements carry.

In response, another legislator said that sometimes it takes more than one year for legislation to be passed and that some of the 2011 bills were major government restructuring bills. The legislator said that many of these are still good issues and should be brought back by the committee.

A third legislator pointed out that the Mortgage Finance Authority Act Oversight Committee endorsed 25 pieces of legislation and only one passed.

A question arose about Senate Bill 147, a bill regarding electronic legal notice, and why it was subject matter for the ERDC and what exactly is the economic and rural development aspect of it.

Mr. Kovnat responded that the ERDC has traditionally dealt with administrative procedures and legal notice issues, particularly with regard to rulemaking, and that could be the reason.

A legislator stated that this bill is related to business and is an industry issue as well as a legal issue.

The legislator that posed the question thought that the economic issues got clouded by the legal issues and this bill would be better housed in the Courts, Corrections and Justice Committee or a committee that deals with legal issues; or perhaps both committees.

The sponsor of the bill said that Senate Bill 147 amends the open meetings law, but that was created years ago and since then, technology has moved forward, and this bill would provide the option to webcast public notice, which would be easier and cheaper to do and would be more

effective notice, as print media have lost a lot of readers. The sponsor said that this will happen sooner or later because of the advance of technology.

Another legislator disagreed with the bill and said that it is all about advertisement dollars and that newspapers rely on this. In rural areas, small newspapers are the only source of New Mexico news. There is a concern about rural newspapers and a feeling that they need to be protected. This legislator went on to say that this subject matter is definitely for this committee.

### **Vision and Legislative Priorities of the Economic Development Department**

Jonathan L. Barela, secretary-designate, Economic Development Department (EDD), noted that the EDD is one of the smaller executive agencies and that it has had a decrease in full-time-equivalents (FTEs) from 95 to 55, although it tries to be as effective as possible. The EDD has created the Office of Business Advocacy, a one-stop shop to talk to people about business and regulation. It is primarily for small businesses, has been very successful and has even received calls from legislators.

The EDD is currently waiting for a new film office director, which should be announced soon. The division dedicated to Mexican national affairs has been eliminated, and the EDD is looking into how to reorganize itself to handle international trade.

The Office of Science and Technology has been reduced to one FTE, and the Office of Military Base Planning lost four FTEs. In addition, the strategic planning process should become more efficient.

Among the EDD's short-term priorities are the development of a New Mexico borderplex to take advantage of the state's unique geographic situation. There are more than three million people in borderplex area, but development on the New Mexico side of border is sketchy. Dona Ana County passed a job package initiative, which created several hundred jobs.

Secretary-Designate Barela noted that part of the New Mexico renaissance will come from energy, including biodiesel, wind and solar projects, which must involve rural communities. Transmission issues may be a problem, however. There is a huge opportunity to sell this energy output to California, which must get 33% of its energy from renewable sources by 2020. The state must be prepared to offer resources to companies to do business.

Also, oil, gas and uranium mining will lead to rural job creation. Science and technology provide big opportunities with the national laboratories and the high-technology corridor between Kirtland and Los Alamos.

Manufacturing jobs need to be brought to the state, despite New Mexico never having been a haven for manufacturing. Another critical area is agricultural products, which can produce employment in rural areas. These jobs are needed to get a long-term job growth pattern in the state and to create spinoff jobs.

Spaceport America has been a success. It has had some hiccups, but it is on the way to create jobs there in the long term. It has a new executive director, who makes less money than the prior director. The EDD will do what it can to make sure the spaceport succeeds. Tours started in May, and the spaceport's construction is about 86% complete. There are still some issues with electrical connectivity, but within a year, the spaceport should start operations. In the meantime, people are looking for other uses of the spaceport and to gauge the market.

It is also important to keep existing businesses in the state as well as to attract new ones. That effort has been aided by the State Data Center, which is required by statute to collect economic data and to provide demographic profiles of communities.

The Job Training Incentive Program (JTIP) is the best job recruitment tool the state has, and now Arizona has replicated and improved it. Most communities in the state have benefited from the funding, but it is now down to \$1,200,000, which will not go a long way if one or two big companies decide to come to the state. Without more and consistent funding, companies that may want to do business in New Mexico could face unpredictable circumstances.

The EDD has a renewed commitment to rural areas, and Secretary-Designate Barela has visited 15 rural communities since he has been in office. He is a big fan of the MainStreet Program, and the Silver City program recently received a national honor.

The Office of Military Base Planning and Support plays a key role in national security and job creation, but it needs continued support from the state to make sure military bases are protected. They have a financial impact of \$7 million on the state, and as growth occurs, bases are included in the state's economic strategy.

The New Mexico Partnership is an organization that has had its ups and downs and had its budget cut by half to become more efficient. While it still has a critical role, it needs to do what it was originally created to do, which is job recruitment.

The EDD's legislative priorities are a capital outlay focus on infrastructure, to revise tax incentives and to do work force training.

### **Questions for Secretary-Designate Barela**

A legislator asked if there is a balancing act between the military and transmission lines that may interfere with military activity.

Secretary-Designate Barela said he met with representatives from the White Sands Missile Range and that there is a balance. There is a need for more lines and capability, but military bases will still need buffer zones and space to continue flight operations and training and research and development. The EDD is working with entities, encouraging certain transmission lines that will protect military assets. This is not just a national security interest, but also an economic development issue. The EDD is working on a proper solution to benefit both parties.

The issue of uranium was raised, and it was noted that the resources are there and would benefit rural areas and the state; mining it can be done safely; and there is already an enrichment plant in Eunice in which the uranium is coming from out of state. A legislator said that New Mexico has the tools to mine uranium as long as it is done safely.

Secretary-Designate Barela replied that no one will ever advocate a shortcut to getting a permit that would jeopardize the health of New Mexicans, but there is a clear market demand for uranium, even with the terrible tragedy that just happened in Japan.

Secretary-Designate Barela suggested that New Mexico become the energy center of the country, always keeping in mind the balance between the state's beauty and jobs. The state has the largest uranium deposits in the country.

Another legislator asked about manufacturing and the need to develop and create jobs and mentioned that it is a plus for the state to have the corridor for manufacturing near the border. The legislator also said that the state is sitting on a gold mine with tourism. He next said that property owners in rural areas cannot afford to restore their houses but do not want to lose them, and that the MainStreet Program loaned some money to develop a plan for rural areas and how to bring in some industry.

Secretary-Designate Barela elaborated on the borderplex and said that, currently, infrastructure there is basically nonexistent, but that the plan includes water, roads, electrical connectivity, retail space, manufacturing, research and development and test facilities. Currently, El Paso has all of it, and New Mexico is losing out on border commerce. The best news is that money is moving back to the border and that despite the violence, there are still hundreds of millions of dollars moving to the border. The Fox Con facility will bring 5,000 jobs.

The locomotive fuel tax reduction bill was discussed next, and because of it, rail lines were put in that amount to \$400 million in investment, creating 4,000 construction jobs and 600 permanent jobs, some of which came from Texas. It is hoped that locomotive refueling facilities will lead to logistics facilities and potential manufacturing jobs. In addition, the overweight vehicle bill may create 200 distribution and logistics-related jobs

Another concern is keeping the work force in the state because college graduates currently cannot get jobs.

Secretary-Designate Barela noted that Intel has a local hiring requirement that goes beyond local employees all the way to local contracting. Also, there are training programs in community colleges.

A legislator stated that the senate has not acted on Secretary-Designate Barela's confirmation and hoped it would act on that soon.

A concern was raised that the Arizona fire may be shutting down the transmission lines in that area, which is all the more reason for more transmission line options.

Questions also arose about biomass and the loss of dairies and what could be done. Moving forward, Secretary-Designate Barela said that Sapphire Energy has a big algae project to convert it to diesel fuel, and that a half-dozen companies in the southeastern and southern part of the state are working in alternative energy solutions. A request was made to have Sapphire Energy give a presentation to the committee.

Also addressed was the water situation at the spaceport, where it was noted that there is sufficient water and that more wells have been drilled. The spaceport is working with local ranchers who allege that water levels have dropped. In almost every case, those problems have been resolved.

Next, a legislator said that, coming from copper country, the legislator knows how important natural resources are. The state has enough natural gas to take care of public schools and uses clean methods. But, the legislator said that a friend indicated that it is too expensive to extract natural gas here and that Texas gas is cheaper.

It was noted that Spaceport America and the RailRunner are controversial because many New Mexicans do not feel that they do anything for them. Perhaps it is a question of getting better public relations to help with how New Mexico residents feel about these entities.

Secretary-Designate Barela spoke of the Regional Representative Program at the EDD and how the five representatives work with local economic development organizations to focus on how to create jobs. The program is not specific to the agricultural industry, but that is part of its work. There was support from the committee members to encourage the assignment of resources to agriculture specifically, as it is a big contributor to the state's economy.

A legislator then said a contractor from Clovis came to him last week and spoke of the difficulty the contractor was having with a building project 30 miles from Clovis and said he never again wanted to deal with a Construction Industries Division inspector. There is a feeling by those in rural areas that the state is not doing enough to keep focus there. The state is losing dairies to Texas because the regulations are atrocious. Over the years, \$32 million worth of dairy business has gone to Texas. There is also concern about the federal farm bill and that farmers may lose their subsidies.

A legislator next asked to have someone give a complete discussion on tax credits, which are significant to rural parts of the state. Senator Sanchez noted that part of the committee's work plan is to get a presentation on the tax credit issue. There was also a request that the EDD give the committee a breakdown of the divisions and persons to contact. Secretary-Designate Barela said this information would be provided.

Next, a legislator spoke of making New Mexico a destination state for working at home, especially because 10% of the nation's economy is home-based and that percentage is growing. People are moving to the Sunbelt, and this is a good way to attract those people. Secretary-Designate Barela said that this is a good idea and he would look into it. The challenge is creating infrastructure, such as bandwidth, to secondary and tertiary markets.

Secretary-Designate Barela spoke of the three Cs — climate, culture and competition — and said the state needs to work on competition because the other two are already in place.

A legislator raised the concern that rural residents cannot explain what they have to offer, and without that, companies would not want to relocate to rural areas. These smaller communities need to know the numbers and to have strategic planning because without these the communities' stories cannot be told and they will have a difficult time promoting themselves. This is the why the State Data Center is important.

Another legislator said that a lot of businesses can use the JTIP, but it appears to be cumbersome and there is a lot of red tape to access those funds. There seemed to be some cherry picking, and while a billion-dollar company received \$3,000, a smaller business could have benefited more.

In response, it was said that there are varying amounts of funding for the JTIP and the challenge is making \$1,200,000 stretch as far as possible. The JTIP needs more consistent funding so it can be more predictable.

Finally, a legislator said that there is a huge imbalance between the state's small economic base and the large number of public employees and businesses dependent on government contracts. Accordingly, this is not a recipe for success in a recessive economy.

### **2011 Interim Work Plan and Meeting Schedule Development**

Mr. Kovnat presented the following work plan items for the committee's consideration:

1. receive a report on existing tax increment development districts (TIDDs), including an update on the current status of Mesa del Sol and Winrock and how legislative appropriations and capital outlay funds are being spent;
2. receive a presentation from the EDD on its current initiatives, including its vision for the next four years and any proposed legislation or issues that the EDD sees as its top priorities;
3. receive a report on the tax incentives and economic benefits, including a conversion analysis, to the state of the film industry by the EDD and the Legislative Finance Committee (LFC);
4. receive a report on the tax incentives and economic benefits, including a conversion analysis, to the state of the energy industry by the EDD and the LFC;

5. receive a report on the tax incentives and economic benefits to the state of the JTIP by the EDD and the LFC;
6. receive a report from the Tourism Department and the Tourism Association of New Mexico on New Mexico tourism initiatives;
7. study homeowners association (HOA) regulations and laws and their effectiveness and study the statutory and regulatory powers of HOAs and, conversely, the rights of members;
8. consider the economic and rural development impact of the federal stimulus package and other publicly funded projects;
9. receive a report from the Regulation and Licensing Department (RLD) regarding its vision and goals for the next four years and any proposed legislation or issues that it sees as its top priorities, on how to best support and promote businesses in the state and how to improve licensing of businesses in the state;
10. receive reports from various industries and angel investors to assess what must be done to bring jobs to the state. These industries include nuclear energy and waste disposal, oil and gas, mining, agriculture, conservation and recycling, renewable energy and health care;
11. evaluate the economic impact of the wine industry and microbreweries, determine what needs to be done to support these industries, receive a report from the RLD and industry professionals on beer and wine licenses versus liquor licenses and determine whether policy changes are necessary to better support the industry;
12. receive a report on the latest census data that show an increasing shift of population from rural areas to urban areas and discuss what the state's role can and should be regarding the population loss in rural areas;
13. receive an update on Spaceport America, the New Mexico Space Grant Consortium and the state historic space trail;
14. receive a report by the Higher Education Department and the Workforce Solutions Department on what careers are in demand now and in the near future in the state and the extent to which the state is meeting and plans to meet that demand;
15. receive a report by the Los Alamos National Laboratory and Sandia National Laboratories regarding their joint tax credit and how it affects economic and rural development in New Mexico;
16. receive an update on uranium mining in Grants or Gallup on July 22 by the EDD, the Energy, Minerals and Natural Resources Department and the Department of Environment;

17. receive a report on renewable energy job opportunities by Sapphire Energy;
18. receive a report on the New Mexico Partnership on the work that it does and its funding;
19. consider combining the EDD with the Cultural Affairs Department;
20. receive a report by executive agencies on their performance measures for themselves and their constituent parts;
21. receive a report on how New Mexico can develop as a home-work destination; and
22. examine the needs of rural communities, including individual development accounts.

#### **Committee Discussion on Proposed Work Plan**

Regarding item 18, the New Mexico Partnership, it was said that it needs some autonomy as it is the only recruitment arm for the state.

Committee members reiterated the need for more information on tax incentives and wanted to know if there is a correlation between tax credits and gross receipts tax. How do the TIDDs help the state, what capital outlay was given and what was the result of those contributions? There need to be performance measures, despite the governor vetoing the performance measure money from the budget. Without performance measures, how can it be determined whether executive departments are doing their jobs? The measures need to be more specific about what kind of economic benefits the state needs.

Regarding item 7, it was noted that there have been a lot of complaints from HOA members because the industry is not regulated.

Committee wants to consider item 8 as early as possible because federal stimulus money will end in September.

A motion was made to adopt the amended work plan and the meeting schedule, and both were adopted by the committee without objection.

The committee adjourned at 12:30 p.m.

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

**July 6-7, 2011  
Mesalands Community College  
Tucumcari**

**July 8, 2011  
Santa Rosa**

The second meeting of the Economic and Rural Development Committee (ERDC) was called to order as a subcommittee by Senator Bernadette M. Sanchez, chair, at 9:30 a.m. on Wednesday, July 6, 2011, at Mesalands Community College in Tucumcari.

**Present**

Sen. Bernadette M. Sanchez, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Rep. Ernest H. Chavez  
Sen. Mary Jane M. Garcia  
Rep. Nate Gentry (7/6, 7/7)  
Rep. Dianne Miller Hamilton  
Sen. Clinton D. Harden, Jr.  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom (7/7, 7/8)  
Sen. Richard C. Martinez (7/6, 7/7)  
Sen. David Ulibarri

**Advisory Members**

Rep. George Dodge, Jr.  
Rep. Sandra D. Jeff  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell (7/6)  
Sen. John Pinto

**Absent**

Sen. Mark Boitano  
Sen. Kent L. Cravens  
Rep. Mary Helen Garcia  
Sen. Howie C. Morales

Sen. Rod Adair  
Sen. Sue Wilson Beffort  
Sen. William F. Burt  
Rep. Zachary J. Cook  
Rep. James Roger Madalena  
Sen. George K. Munoz  
Rep. Andy Nuñez  
Rep. Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Sen. John M. Sapien  
Rep. Thomas C. Taylor  
Rep. Richard D. Vigil

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

**Staff**

Peter Kovnat, Legislative Council Service (LCS)  
Pam Stokes, LCS  
Carmella Casados, LCS

**Guest**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Wednesday, July 6****Greater Tucumcari Economic Development Committee**

Patrick Vanderpool, executive director, Greater Tucumcari Economic Development Committee, explained that economic development is a challenge but that Tucumcari is poised to serve relocating or expanding businesses. He said that the racetrack, ethanol plant and transmission lines for the wind energy are primed for economic development.

Tucumcari is served by Interstate 40 and U.S. 54 and sees approximately 20,000 vehicles per day. Mr. Vanderpool indicated that the city would like to take advantage of travelers by developing more truck stops, as there are only two full-service truck stops now. He stated that Tucumcari is located on Route 66 and boasts both a strategic location with access to major markets in New Mexico and transportation services, including rail and air.

Union Pacific Railway serves Tucumcari with a major truck line from Kansas City to El Paso. Approximately 55 freight trains pass through Tucumcari daily.

Route 66 is becoming a mecca for outdoor art, with many murals. Mr. Vanderpool mentioned that the repainting of the old gas stations would contribute to making Route 66 a focal point for outdoor art.

Dr. Mildred Lovato, president, Mesalands Community College, stated that this was her third day on the job. She said that there are hidden gems in Tucumcari, including the Dinosaur Museum and the only wind turbine in the state. Mesalands Community College is also the home of the North American Wind Research and Training Center (NAWRTC), which provides training in the world's tallest classroom, a 400-foot-tall tower capped by a 1.5 megawatt turbine. Mesalands specializes in customized training for any industry.

## **Economic and Rural Development Projects**

Elizabeth Savage, director, New Mexico Office of Recovery and Reinvestment (NMORR), said that the federal American Recovery and Reinvestment Act of 2009 (ARRA) sent billions of dollars to New Mexico through a broad range of existing federal agencies and programs. Every county was affected. The ARRA generally funds tax cuts and credits, entitlements, contracts, grants and loans. The money has been going to every county, particularly for education, with every district receiving money in proportion to its funding formula, which expires in September 2011. The \$1.5 billion for infrastructure projects includes highways throughout the state. This funding is available through 2015. These projects will continue to create jobs in New Mexico communities.

## **Questions**

A legislator asked what happens when the stimulus money runs out. Ms. Savage stated that ARRA funds were designed to be temporary. The education element was a late piece of major funding for the state.

Ms. Savage mentioned that the state energy plan was funded for projects based on the decision-making already identified, and projects already planned, by the state. The Government Services Fund is under the discretion of the governor for specific projects as long as the purpose meets exclusive criteria.

Ms. Savage stated that the tax credits of the ARRA were designed to be spent by consumers quickly to stimulate the retail sector.

Ms. Savage explained that although much of the funding went to major population centers, the money affected every county in the state through direct contracts and loans with municipalities and school districts. Some examples of communities that received funding in 2009 included the Fort Sumner Municipal School District, which was awarded \$500,000 to install a geothermal heating and cooling system in the school's gymnasium and to improve lighting efficiency. The Navajo Nation was given about \$31 million for the U.S. 491 project in San Juan and McKinley counties for the expansion from two to four lanes. The Waste Isolation Pilot Plant (WIPP) received about \$172 million to accelerate waste shipment readiness to WIPP and support cleanup work. The new Guadalupe County hospital and medical center in Santa Rosa received \$9.4 million from the U.S. Department of Agriculture.

Early in 2009, the NMORR organized New Mexico's funding into general policy categories to make it easier to comprehend. Medicaid, local infrastructure and public education are at the top of the list.

Ms. Savage stated that all state agencies are required to have a spending plan. It helps her understand how the dollars given for a specific purpose are being used for that purpose.

There is no consensus regarding the impact of ARRA funding on job creation and retention. The ARRA requires reporting the number of full-time employees funded through

ARRA dollars according to a mathematical methodology prescribed by the federal Office of Management and Budget.

The NMORR produced a web site where it posts information about how and where tax dollars are spent. Its features include state agency spending reports, contracts posted online, photo galleries of projects funded with ARRA dollars and a database that tracks every dollar sent to New Mexico school districts.

Ms. Savage mentioned that the NMORR's funding comes from the Government Services Fund, which expires in September 2011. The NMORR had 11 full-time employees in the office; after the change in administration, it had six employees. Now, it has three employees loaned from other state agencies. Three of the six employees are paid with ARRA funds. The NMORR does not have an overload of work, unlike it did in the first few years of reporting. Processes are now in place, agencies are getting their funding and a transition plan is in place. The NMORR has never submitted a late quarterly report and will continue to submit reports in a timely fashion as state agencies assume 100% of the reporting responsibility.

### **Questions**

A legislator asked if the jobs funded by ARRA are all permanent. Ms. Savage said she would need to look at the University of New Mexico (UNM) report to answer that. A legislator asked if a majority of the ARRA-funded jobs are government or private sector jobs. Ms. Savage said she does not know the answer to that.

Another legislator requested a report showing the breakdown on ARRA-funded road projects. Ms. Savage said that she will provide a report to Mr. Kovnat. Ms. Savage said that ARRA funds are going to municipalities, and tracking by state agencies is easy to do. The legislator requested a current expenditure status. Ms. Savage said that a new report will be completed, with preliminary reporting on July 15, 2011. The legislator is interested in a breakdown on the ARRA funds that have been awarded and spent and what remains to be spent in her district. The legislator wants to know what employment has been created with the projects in the legislator's district and, after the projects are completed, how many layoffs are expected.

A legislator asked if weekend service for the Rail Runner was funded through the Government Services Fund. Ms. Savage said that the funds awarded were already spent. The funds for the NMORR will expire at the end of September 2011 and have already been extended from June 2011, but there is still money that has been awarded for projects through 2015. The legislator asked if funding awards would stop if ARRA funds are not fully recovered by 2013. Ms. Savage responded that there would be no action taken by the federal government to cancel awards.

Another legislator asked if there will be a reversion of the dollars not spent by the deadline of 2015. Ms. Savage said yes, any unspent money will revert back to the federal government. The legislator asked if there were jobs created with the funds that were awarded to the Workforce Solutions Department and mentioned that the ARRA had provided New Mexico

with 24,243 jobs through June 30, 2010, but the Workforce Solutions Department is reporting 29,000 jobs provided from the ARRA, with almost 22,000 jobs in the government sector. The legislator asked if these are new jobs or existing jobs. Ms. Savage said that the UNM Bureau of Business and Economic Research reported that the ARRA has provided 24,000 jobs based on economic modeling. The numbers on the ARRA web site are a count of full-time employees. The jobs created are not necessarily government jobs; some were, for example, child care workers paid with government dollars. Ms. Savage said that it is impossible to parse out how many jobs are public and how many are private. The legislator asked what happens when these jobs expire because there is no more stimulus money. Ms. Savage said that some of the projects are nonrecurring and were only for a limited time. The money for public education will be an issue. Ms. Savage said that there really is no magic answer to that question.

A legislator asked Ms. Savage if she has an idea of the amount of money that will be unspent. Ms. Savage said that she is waiting for the June 30, 2011 reports to come in. The legislator asked if there are still funds available that have not been allocated. Ms. Savage said that all that remains to be allocated is \$1.5 million in the governor's fund.

Another legislator asked if the \$1.5 million in the governor's fund was Graduate New Mexico money. Ms. Savage said yes, but that it was reduced. A variety of actions were taken; some were reductions, some were new allocations and some were complete reductions. The new administration reduced the funds for Graduate New Mexico from \$9.4 million, which was allocated by former Governor Bill Richardson, to \$8.3 million and then reduced the funds again to \$6.3 million.

Ms. Savage also mentioned that the Government Services Fund must be liquidated by December 21, 2011, and that initially, both newly created and existing jobs were reported. When the Office of Management and Budget issued guidelines for reporting, the categories were combined. So, it was difficult to make a distinction. If a job is counted as one being paid with ARRA funds, it does not matter to the Office of Management and Budget if it is an existing job or a new job.

A legislator requested a report showing what has been awarded to the Pueblo of Santa Clara and asked if, due to the recent fire, the scope could be changed. Ms. Savage said that a report with information will be provided to the legislators that serve the Pueblo of Santa Clara.

### **Tucumcari Small Business Development Center (SBDC): Economic and Rural Development and Successes and Possibilities**

Vicki Watson, M.S., director of the Tucumcari SBDC, mentioned that the SBDC provides small businesses assistance with business planning, marketing, business financing, small business startup, entrepreneur training and other specialized areas to help grow and strengthen business in New Mexico. She stated that Tucumcari feels left out because it is so small and overregulated. The procurement technical assistance program (PTAP) provides government procurement assistance to small businesses. SBDC advisors offer a wide range of services, including individual counseling and training to enable businesses to successfully

compete for government contracts. In fiscal year 2010, the SBDC PTAP has assisted clients to secure 65 contracts worth over \$42 million. Also, over \$49 million in international trade had been secured by SBDC international business accelerator clients in its first five years in existence. Ms. Watson mentioned that she would like to see the Union Pacific Railroad expand to have goods imported and exported to Mexico.

The SBDC is a small business resource that provides training, capital formation and assistance in getting funding for small businesses. Ms. Watson stated that staying in business is a major challenge in this rural community. She is trying to get more services and products so that members in the community do not need to shop elsewhere.

Ms. Watson mentioned some issues involving local small businesses, citing daycare centers as an example. She said that there are too many state regulations and city zoning issues are causing problems. Currently, there is only one daycare center and one Head Start program in the community. Without daycare centers, young parents cannot work because they have to care for their children. Ms. Watson said that inconsistency of laws and inspections, and the interpretation of existing laws, have caused one daycare to close.

Also, Tukumcari would like to see more truck stops. There is a plan that would make a truck stop a Route 66 entertainment complex — but only if it can attract just 1% more traffic off I-40, which could mean an additional \$8 million in revenue for the community.

Ms. Watson said she would like to see some future tourism initiatives for Tukumcari, including more restaurants on Route 66. People in the community want to build more, but local and state regulations related to commercial kitchens have made the costs insurmountable. Also, many of the buildings are old and cannot be repaired and have asbestos. Currently, old buildings are being painted to make them more attractive. Tukumcari would like to see more "open" signs and business opportunities.

### **Energy Panel: Update on Projects, Tax Incentives and Laws and Regulations That Are Helping or Hurting Industry**

Sonia Phillips, manager, New Mexico state affairs, Xcel Energy, stated that Xcel is the fourth largest electric and natural gas provider in the U.S. Xcel is the number one wind power provider in the U.S., providing 4,521 megawatts, and it is number seven in the provision of solar power.

Xcel is in the eastern part of the state and has the ability to help out other areas of the state, as evidenced by helping to cover for El Paso Electric during the Arizona fire. Xcel gets requests for 10,000 megawatts of wind power. Xcel has 600 megawatts of power, 700 megawatts of natural gas power and solar and photovoltaic facilities in the Hobbs area.

Ms. Phillips said that solar power is four times more expensive than other energy sources but that solar will work well with wind power. She said that Xcel has to do forecasting to know when the wind is going to blow and when the sun is going to shine. Customers in New Mexico are largely industrial, with a small residential load. It costs industrial customers a lot of money when service goes down. So, reliability is the most important thing to industrial customers, followed by cost.

Xcel covers a large part of the country and still needs to grow. The summer peak in 2008 was 5,400 megawatts. In 2010, that record was broken with almost 5,600 megawatts, and that record has already been broken twice this year.

Ms. Phillips said that it costs \$1 billion to reach the mandates of the federal Environmental Protection Agency for coal fire plants and that Xcel met all the requirements at the time the plants were built, but now there are new rules. Xcel is now forced either to shut down coal fire plants or power the plants with natural gas, which is problematic because natural gas prices are volatile. Xcel needs to have the regulations be predictable so that it will be prudent to expand in New Mexico rather than to other states that have better incentives. Investment companies want to be sure it is prudent to invest in Xcel.

Rhonda Mitchell of the Tri-State Generations and Transmission Association stated that Tri-State is a not-for-profit, consumer-owned wholesale power cooperative. Tri-State provides electricity to 44 member cooperatives that serve 1.5 million consumers throughout Colorado, New Mexico, Nebraska and Wyoming. Ms. Mitchell said that its power comes from coal and natural gas and that it gets hydroelectric allocation from the federal government. In 2009, agreements were signed for two renewable facilities that came online last year, the Carson Wind Project in Colorado and the Cimarron Solar Project in northern New Mexico. Tri-State is ranked sixth in the nation for renewable energy and number one as a cooperative. Tri-State's mission is to provide safe and dependable electricity to its consumers. The economic benefit of Tri-State to New Mexico is three generation facilities: Escalante in Pruitt, Pyramid in Lordsburg and the Cimarron Solar Project. The Escalante coal mine has created 500 jobs in the Grants/Pruitt area, totaling \$19 million in wages. Tri-State pays \$5 million in taxes that get distributed to that area. Tri-State's rates are not set by the Public Regulation Commission (PRC) but by a 44-member board. However, the PRC can regulate location of transmission lines. If three member cooperatives file complaints, there will be a rate case, and the PRC will regulate.

Carl Huslig, president, ITC Great Plains, ITC Holdings, explained that ITC's fully regulated, independent transmission model creates a unique approach to infrastructure. ITC is the nation's only independent transmission company. There is no competition for capital; every dollar is spent on transmission. ITC serves territory roughly six times the size of New Mexico. It expects that there will be \$500 million in costs and \$750 million in benefits to the state. Transmission owners must provide equal, nondiscriminatory access to all forms of generation. Each generation source provides a unique challenge when connecting to the grid. All generation sources need a robust transmission grid in the United States. Transmission is at the center of the energy debate. It is a critical link to economic development and many energy policy visions, yet

transmission represents only about 4% to 8% of a typical utility bill. There is aging infrastructure in the United States, and New Mexico is no different. The reliability concerns are blackouts and brownouts that affect the economy every year. The inefficiencies and the lack of investment have led to increased congestion, which leads to higher electricity prices. The lack of funding has caused congestion in the interconnection queue. The demand and need for change is due to the estimated 25% increase in energy demand over the next 20 years, even with a down economy.

Mr. Huslig said that these policy changes could result from several sources: state legislative initiatives, pending federal legislation concerning energy, reinterpretations of existing statutes by the Federal Energy Regulatory Commission (FERC) and court decisions.

Mike Bowen, executive director, New Mexico Mining Association, stated that from a mining perspective, the mining industry provides the metals and wiring needed for these generation stations. He stated that companies are putting more money in expansion, which is a good sign. New Mexico is the twelfth state in the U.S. in coal production and third in copper production. New Mexico has \$1.8 billion worth of minerals. New Mexico is twentieth in the U.S. for production value of minerals. At least \$197 million has been spent in improvements and capital improvements in New Mexico. There is a concern about cap and trade, which may cause a rise in the cost of electricity.

Mr. Bowen said that copper has finally come back in terms of price. It dropped in 2008 from \$3.63 per pound to \$1.49, and it is now up to \$4.30 per pound. He also mentioned that the reopening of the Chino mine will put 600 people back to work. The New Mexico Copper Company is trying to open a new mine in the Copper Flats Project in Hillsboro. In 2009, there was a decrease in production of 93% as the price went from \$33.00 a pound to \$9.00 a pound. New Mexico produces 65% of potash in the U.S., and there are five potash mines in the Carlsbad area.

## **Questions**

A legislator asked about the cost of wind and solar. Ms. Mitchell said that solar is more expensive. Ms. Phillips added that even with the renewable credits, it is going to add cost, but what has been learned is that keeping a diverse generation source benefits customers because wind is less expensive than natural gas, sometimes a lot less, but there are no storage capabilities for solar and wind. Generation still has to be on hand because energy is a resource that must be available at all times.

Another legislator asked about Tres Amigas, the billion-dollar project near Clovis that President Obama and Congress are proposing. Mr. Huslig said that the Tres Amigas Project is the first project that will connect all three grids together and will interconnect near Clovis. He said that he does not know about the price tag and that demand and investment will grow. He said that there is an issue with the financing and how Tres Amigas will be funded. Ms. Phillips added that it takes transmission lines to connect those grids. Transmission lines cannot be built

because the power companies have to prove that the lines will be beneficial to their customers. The power companies also have to get FERC and PRC approval.

Committee members requested literature on the prices and numbers that Mr. Huslig was talking about in his presentation.

A legislator asked if the energy demands of New Mexico are being met with existing infrastructure. Ms. Phillips said yes, but the demands are growing and a reliability standard is needed. Between now and 2015, \$1 billion for transmission lines in New Mexico and Texas has been requested. She said that power companies have to go through regional transmission organizations and do a study proving that transmission lines will work in their integrated system. According to the renewable portfolio standards, by 2011, New Mexico is supposed to have 10% of retail load renewable. A lot of transmission lines are at their capacity, and transmission lines are the driver. New Mexico can be an exporter. Ms. Phillips said that it is not so much whether wind is cheaper, which is an issue, but that the economic development factor is important: New Mexico has wind and solar power that can be used as an economic tool. If there is a place to sell wind energy, everyone could make a profit.

Ms. Phillips said that under the current PRC rules, power companies cannot sell energy to make a profit, and they cannot be wholesalers. The question is, is there a market for excess energy? Each state is looking at its own resources. New Mexico will be stuck with a lot of unused resources. However, because New Mexico wind is more powerful, it can be cheaper for other states to buy energy even with building transmission lines.

### **Oil and Gas Energy Report**

Deborah Seligman, Energy Advocate, LLC, spoke of the establishment of cap and trade to work with California for a regional cap and trade. Emitters of carbon dioxide and greenhouse gases will go to the marketplace. California put it off for another year, so New Mexico cannot come online yet. There is now a case in the court of appeals about repealing the greenhouse gas rule. The economic development perspective does not make sense for a small state when larger states need a national cap and trade. Currently, New Mexico has three rules regarding this, and by end of year there will be five new rules. However, she said, having rules in New Mexico that are not on the books in other states does not make sense, especially when other states are higher producers of oil, such as Colorado and Texas.

### **Questions**

A legislator commented on the difficulty of getting air quality permits in New Mexico, saying that it is easier in Texas.

Another legislator stated that there are too many regulations. The state is not responsive to the customers, and agencies are not working with businesses. The state should be able to tell customers that they will get a permit in 60 days, 90 days or however long it takes to process.

The committee recessed for the day at 4:37 p.m.

**Thursday, July 7**

**NAWRTC at Mesalands Community College — Update and Tour**

Jim Morgan, director, NAWRTC, said that the NAWRTC at Mesalands Community College is contributing to the economy. The wind energy technician training program is a hands-on training program and helps students develop many skills. The Wind Farm Economics Power Purchase Agreement with Xcel each year is based on PRC approval.

Mr. Morgan said that ARRA money has resulted in 72 community colleges and more than 20 technical schools teaching wind energy training. Most do not have their own turbines, but there is a lot of competition across states, as there are no synchronized grids. New Mexico ranks number two in wind energy resources in the United States, with 12 times the wind resources of California. However, the New Mexico grid is limited. The Tres Amigas project will unite the nation's electric grid with the first common interconnection. Construction may start later this year or early next year. Mesalands Community College is solidifying memoranda of understanding with several institutions for research to utilize Mesalands' turbine. The University of California-Los Angeles is planning to have a one-week boot camp technical course to study blocking signal radar. Washington University in St. Louis would like to study the turbine for a research project. The New Mexico Institute of Mining and Technology would like to research and study radar and the blades to make turbines more transparent. Oregon State University would like to have its scientists study and research the accelerometers. Sandia National Laboratories would like to research and study the transmission of data. A Brazilian wind farm owner and developer wants to build a wind center for training like Mesalands has and wants help from Mesalands in building the center. Finally, an Indian wind turbine manufacturer and Xyron Technologies, Ltd., want to put their turbine on the Mesalands campus. The companies would share generation and pay a fee to lease the space to house the turbine on campus.

**Questions**

A legislator asked what is the feasibility in the future to store wind power. Mr. Morgan said that the new technology is to have an air compressor to store high pressure air underground.

Another legislator asked where graduates who have completed the training program have gone. Mr. Morgan said that most do not stay in the state due to the limited number of jobs in New Mexico because the state cannot build more turbines. If Tres Amigas is built, that means 3,000 turbines, which in turn means a lot of jobs will be available.

A legislator asked where is the highest density of wind farms in New Mexico. Mr. Morgan said it is in eastern New Mexico. When asked where the highest density of wind farms in the U.S. is, Mr. Morgan answered that it is in Sweetwater, Texas. When asked where the highest density of wind farms in the world is, Mr. Morgan answered that it is in China, which is trying to avoid relying too heavily on oil and relying more on renewable energy.

**Economic Development and the Impact on Commercial Real Estate**

Drew Dolan, director of development, Titan Development, and Commercial Real Estate Development Association (NAIOP) chair, stated that the NAIOP has 250 members and 190 member companies. The NAIOP's goal is to promote commercial real estate and economic development to include construction and tenant improvement. Mr. Dolan said that even during the recession, projects were still happening. New Mexico is not doing as well as surrounding states. New Mexico is the only state in the region with a negative trend line. He analyzed the hypothetical market share (projects per resident) to see if New Mexico is getting its fair share of projects. New Mexico is not getting its fair share of projects, and the trend line is drastically down. To improve, New Mexico cannot just rely on government. The state needs to fund its existing job training incentive program and have a high-wage jobs tax credit.

Mr. Dolan mentioned some opportunities for New Mexico. The film industry in New Mexico has been successful in the economic downturn and has employed many people that would be collecting unemployment if not for this industry. There need to be incentives for the long-term success of this industry. Also, the relocation or expansion of large companies can have a significant economic impact on New Mexico. If the state helps large companies, they can bring more jobs. He mentioned Hewlett Packard and Intel as examples.

### **Questions**

A legislator asked what is driving new projects to Texas. Mr. Dolan said that it is the pro-business climate and the understanding of the regulations and building codes. While most of Texas is following the early 2000 rules, New Mexico follows the 2009 rules.

Another legislator commented about the film industry and noted that Albuquerque has more film infrastructure than any city other than Los Angeles and New York, and that if the industry goes away, those jobs, and the students that train for them, are going to leave.

A legislator said that the legislature has been trying to pass bills to lessen regulation but that nothing has passed. This administration intends to make the rules more business-friendly.

Mr. Dolan said that this appears to be true and that there is a need to streamline the regulatory process and train the work force. He noted that New Mexico has great community college facilities that do a great job of high-tech training and preparing students for jobs. Mr. Dolan mentioned in particular the apprenticeship program where high school students can get credit while learning these skills.

### **The Federal Communications Commission's National Broadband Plan and Its Potential Impact on Rural New Mexico Customers Served by Rural Independent Telephone Companies**

Sam Ray, lobbyist, New Mexico Exchange Carrier Group (NMECG), and Charlie Ferrell, executive director, NMECG, followed up on Senate Joint Memorial 38. See their handout for more details.

### **Questions**

A legislator stated that the legislator would like to ask the Federal Communications Commission (FCC) to look again at the proposed rules it wants to put in place because their implementation may mean communication in rural areas that customers cannot afford. Mr. Ray stated that the bigger companies are not willing to support smaller companies when the big companies are not getting support; however, they will if the new rule goes forward.

A legislator asked if the merger of CenturyLink and Qwest will have a negative or positive impact on the NMECG. Mr. Ray said that it will only hurt the NMECG if it connects to the larger company like Qwest and carries it to Albuquerque on a meet point. The NMECG needs upgraded meet points to get to more rural areas. Qwest lost a lot of customers — from 900,000 lines to 600,000 lines — and reduced its personnel. He said it is unclear if the merger will hurt the meet points.

Another legislator said that it appears that there is a pot of money being used by rural telecommunications companies, recurring either through tax credits or incentives, and asked what resources the FCC wants to redistribute. Mr. Ray said that there is a surcharge on customer bills that is collected and distributed to companies based on cost studies that show that investments are being made and what services are being provided. The legislator asked whether what the FCC is proposing is that if there is a pie of money, the rural companies will get a piece of that pie; whether larger companies will get a larger piece; and whether any of the fees that are collected will be the same, for example, as the surcharges. Mr. Ray stated that customers are helping to support those types of funds, and with this change, bigger companies will only provide broadband service where they want to provide it.

Senator David Ulibarri made a motion to send a letter to the New Mexico congressional delegation to request that the FCC revise the proposed rules. Rural telecommunications companies and cooperatives have a proposed workable alternative to the FCC plan that will increase broadband investments in rural areas. Representative Herrell seconded the motion, and it passed.

### **Thursday, July 8**

#### **Welcome by Santa Rosa Mayor**

Mayor Albert Campos, Jr., spoke about economic development in Santa Rosa. He said that the community has a gold mine in the form of water. Santa Rosa would like to see a business incubator and possibly a museum with Route 66 memorabilia. Currently, the city is working with Aquatic Consultants, Inc., to focus on fish hatcheries for private sale. Mayor Campos said that Secretary Jon Barela of the Economic Development Department came to a meeting in Santa Rosa and that the Department of Game and Fish gave its blessing and said there is no place better than New Mexico to fish. The fishery proposal includes a new hatchery, which will produce 950,000 pounds per year of high quality rainbow trout to sell at \$3.00 to \$8.00 per fish. Santa Rosa would like to see job growth in the trucking industry by transporting fish in and out of the state, to casinos and to other lakes. Mayor Campos stated that Arizona cannot supply

itself with the amount of fish it wants, so there is a market. The business plan is to be completed by the fourth week of July. He stated that there are customers, and he knows it will work.

Richard R. Delgado, director, Santa Rosa Economic Development and Tourism, said that the feasibility study needs to be creative. Mayor Campos said that he is trying to meet with the Legislative Finance Committee to help with funding for the project. There will be eight to 10 jobs created for biologists, and four to five laborers will be trained.

### **Questions**

A legislator noted that it will cost \$3 million for the first phase of the project and asked how much money is available. The legislator said that when preparing a feasibility study, one should apply through the Economic Development Administration and see if funding can be acquired through the agency. The legislator also mentioned that the local farm service agency will provide topographical maps to help cut the costs needed to tap all resources. The legislator suggested that Representative Dodge write a letter to the New Mexico Finance Authority (NMFA) Oversight Committee, which can help with getting planning money and infrastructure. Currently, the NMFA is working to use the Public Project Revolving Fund, which is supported by government gross receipts, and it is looking to invest in local communities. This would be perfect for that project.

Another legislator asked who would own the project. Mayor Campos stated that it will be a partnership. The city will own the infrastructure, but the private company will run it.

A legislator noted that people are needed out in the field, and this is a good example as to why. He said that the point can be made to the New Mexico Legislative Council that, had the committee not been out here, these needs would not be heard. This is a perfect example as to why legislators need to be out in the state listening to the communities. Representative Lundstrom made a motion to draft a letter from the ERDC to the LCS and the leadership to state the importance of travel. Senator Sanchez seconded the motion, and it passed.

### **Analysis of Census Data Revealing a Population Shift from Rural to Urban Areas and Discussion of New Mexico's Demand for Labor by Industry Now and in the Near Future and the Extent to Which the State Is Meeting and Plans to Meet that Demand**

Dr. Dely Alcantara, director, Geospatial and Population Studies, and associate research professor in geography, UNM, said that there has been a steep upward climb in population since 1910. It peaked in 1960, dipped in 1970, went up again in 1980 and is now slowing down. In the last 10 years, the state grew by a population of 240,133, a 13% growth. The population is still growing, just at a slower pace. New Mexico is the fifteenth fastest-growing state in the U.S. The population is mostly concentrated in urban areas, with 66% residing there. Dr. Alcantara spoke of three different regions for study: metropolitan, micropolitan and areas outside of metropolitan and micropolitan areas, in which there is no interaction economically with neighboring counties.

Dr. Alcantara said that the 1950s is when New Mexico became more urban, and she said that the energy corridor is attracting young Hispanic men to work in the oil fields in Hobbs and Lea County. Older white people are retiring to Catron County. She also mentioned that there will be serious implications if the younger work force is depleted and not replaced.

Dr. Alcantara mentioned that in the recession, people move to bigger areas for jobs because the small counties do not offer as much opportunity. San Juan County is a major energy county. The population of New Mexico grew by natural increase, not through immigration.

### **Questions**

A legislator asked if New Mexico has some comparisons to other states. Dr. Alcantara said comparisons can be made, but it is a little more difficult because information on births and deaths is confidential, but if these are published, a comparison can be made. The legislator asked if a 37% migration growth means a similar increase in the labor force. Dr. Alcantara stated that this is a proportion, not a 37% increase in population.

Another legislator asked Dr. Alcantara how accurate she thinks the census was and that there were communities of more than 100 families that were not counted. Dr. Alcantara said that the accuracy of the 2010 census is probably higher than in 2000. For the first time, the state was able to participate in a local update of census addresses. The state added to the census list 130,000 housing units that the census missed, and the challenge was accepted. She said she would look to see if Grants was among those cities that were missed. If a housing unit was not there, it was not accounted for; the key to the census is structures. If there is a structure on the ground, the census will look at the address next to it and impute that characteristic to it. Dr. Alcantara was able to get funding from the state that made it possible to collect vital records, but she could only do it for the 10 biggest counties because she did not get funding soon enough and record collection is very time consuming.

A legislator said that the state needs to keep in mind the next census so that the state can have a way to challenge the housing units, track every address and put them on maps with X and Y locations, which need to be precise locations so that the census will accept the data.

Another legislator said it is critical not to undercount because that would mean fewer federal dollars for the state.

Representative Lundstrom made a motion that a letter be sent by the committee to Secretary Barela to ask specifically that he delineate his strategy for metropolitan areas and micropolitan areas and areas outside of metropolitan areas and micropolitan areas as opposed to the one-size-fits-all strategy he presented at the last meeting. The committee would like a breakdown by those three designated areas. Senator Sanchez seconded the motion and asked that Secretary Barela address the issue when he comes back to make a presentation to the committee in November.

Dr. Jim Peach, regents professor, Department of Economic and International Business, New Mexico State University, talked about the labor force and labor demand issues. He stated that the U.S. Department of Labor reported that only 18,000 jobs were created during the month of June and the unemployment rate went up to 9.2%. The New Mexico labor market is especially affected by what goes on nationally. New Mexico has traditionally had a very young population, but it is rapidly approaching a median age that is the same as the United States. The age distribution is changing, and it will affect everything. The labor markets are dynamic. Participation rates are falling, mainly due to aging. In the United States, there are 153.7 million people in the labor force, with 13.9 million unemployed.

A legislator asked about the breakdown of unemployed individuals over the age of 16, wondering if they are retirees, not working, looking for work, disabled, stay-at-home parents or in prison. Dr. Peach said he would send Mr. Kovnat a breakdown.

Dr. Peach explained that labor markets have dynamic flows, and in a normal month, huge numbers of people change their status.

Representative Lundstrom moved to approve the minutes of the previous ERDC meeting. Senator Sanchez seconded the motion, which passed.

The meeting adjourned at 12:00 noon.

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

**August 2-3, 2011  
Cibola County Convention Center  
515 West High Street, Grants**

The third meeting of the Economic and Rural Development Committee (ERDC) was called to order as a subcommittee by Senator Bernadette M. Sanchez, chair, at 9:20 a.m. on Tuesday, August 2, 2011, at the Cibola County Convention Center in Grants.

**Present**

Sen. Bernadette M. Sanchez, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Mark Boitano  
Rep. Ernest H. Chavez  
Sen. Mary Jane M. Garcia (8/2)  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez  
Sen. David Ulibarri

**Absent**

Sen. Kent L. Cravens  
Rep. Mary Helen Garcia  
Rep. Nate Gentry  
Rep. Dianne Miller Hamilton  
Sen. Clinton D. Harden, Jr.  
Sen. Howie C. Morales

**Advisory Members**

Sen. Rod Adair (8/3)  
Rep. George Dodge, Jr.  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Rep. Richard D. Vigil (8/2)

Sen. Sue Wilson Beffort  
Sen. William F. Burt  
Rep. Zachary J. Cook  
Rep. Sandra D. Jeff  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Sen. George K. Munoz  
Rep. Andy Nuñez  
Sen. John M. Sapien  
Rep. Thomas C. Taylor

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

**Staff**

Pam Stokes, Legislative Council Service (LCS)  
Andrew Pierce, LCS  
Carmella Casados, LCS

## **Guests**

The guest list is in the meeting file.

## **Handouts**

Handouts and other written testimony are in the meeting file.

## **Tuesday, August 2**

### **Welcoming Remarks**

Joe Murrietta, mayor, City of Grants, welcomed the committee and introduced Felicia Casados, president, New Mexico State University (NMSU)-Grants and chair, Cibola Communities Economic Development Foundation, who provided testimony concerning NMSU's involvement in economic and work force development. An emphasis on education will facilitate the development of a competent work force and economic growth. Enrollment in the Grants branch of NMSU has been increasing due to dual enrollment programs for high school students, support from Cibola General Hospital and Silver Linings for the Bachelor of Science in Nursing Program, and an emphasis on employment skills in continuing education. The Grants campus of NMSU has been able to offer upper-level classes in some disciplines in order to transfer students to a main campus to be able to finish their degrees. These programs will help rural communities create a well-trained and sufficient labor force and help to sustain economic development and growth in rural communities.

Funding for the district is very limited, however. Capital outlay funds have gone toward energy-efficient building renovations for the Grants campus. There are many deferred infrastructure improvements that are being addressed as capital becomes available. However, the money collected from mill levies is barely enough to cover bond debt.

An important aspect of these higher education programs is access. The need to have satellite campuses is crucial to rural areas. Bond money is imperative to these programs, and without that source of funding, the programs would cease to function.

Funds for developmental coursework will be eliminated from the higher education budget. Remedial classes are a primary focus of community colleges, and the consequences of cutting funding for these types of courses should be considered, as the value of remediation and developmental classes is vital to the future of New Mexico students.

Ms. Casados was asked if the college is working in conjunction with correctional facilities in the area to coordinate efforts regarding prisoner education. Prisoner education was undertaken to incorporate a diploma program in these facilities. However, the correctional facilities have had to cut expenses, and, unfortunately, education programs are some of the first programs to be cut.

The committee asked Ms. Casados how long the economic development board has been without a director and what effects that has had on the board's efficiency. The delay in hiring a

new director has mainly been due to hesitation from the administration and from the need to develop a mission statement with specific goals for the board. The economic development board wants to ensure that the new director will be able to fulfill the mission of the board once that person is hired. There is a need for a director, as everyone on the board has had to take on extra responsibility to make up for the vacancy of that position. The addition of a new director is necessary to allow other members to focus on their specialties.

### **New Mexico Space Trail**

Cathy Harper, marketing/public relations director, Museum of Space History, Cultural Affairs Department (CAD), provided testimony on House Memorial 41 (HM 41), which tasked the CAD to continue research into the development of the New Mexico Space Trail. Since the passing of HM 41, 55 sites have been identified as having some link to the history and research behind space exploration. These archaeo-astronomical and modern sites relate to New Mexico's heritage and contribution in the field of space exploration. This undertaking has allowed for the creation of a mapping system that allows interested people to find and visit these historic landmarks throughout the state.

In order to attract interest in the Space Trail, a marketing campaign has been implemented using radio, newspapers and other print media. It is the goal of the CAD to have these sites recognized as historic state landmarks and to fulfill the calling of HM 41.

Senator Sanchez requested that the staff look into the procedural means of having a landmark registered as a state historic site and requested that Ms. Harper be present at the committee's November meeting to discuss this matter further.

Senator Sanchez made a motion to approve the minutes from the previous ERDC meeting. Representative Rodella seconded the motion, which passed.

### **University of New Mexico School of Architecture and Planning Community Outreach Program, Design and Planning Assistance Center and the Grants MainStreet Project**

Geraldine Forbes Isais, dean, School of Architecture and Planning, University of New Mexico (UNM), and Rich Williams, director, New Mexico MainStreet Program, testified as to the status and progress of the Grants MainStreet project and about rural infrastructure and community planning efforts in communities of fewer than 5,000 people. After a two-year assessment, the future emphasis around this program needs to be shifted to streamline the implementation of the projects and assist rural communities to coordinate with the UNM planning program to move projects forward.

The Grants MainStreet project, started in 2005, has allowed the UNM Design and Planning Assistance Center to work in conjunction with the community in order to develop the downtown area of Grants. Students get to work with community leaders to bring about development and sustainability in rural communities by creating infrastructure and business development.

Planning for an individual community such as Grants includes taking into account the placement and outlay of all new development. This process takes into account the necessity for communal spaces in order to accommodate local festivals and events. The goal of the program is to foster a working relationship with the local communities, to get students focused on working with clients and the communities and to provide services to develop rural communities.

Ms. Isais was asked how rural towns can contact the MainStreet Program to start projects in those communities. There are two different processes by which a community can contact the MainStreet Program to start a project. First, the MainStreet Program might contact a rural community in order to start the program in that community. Second, a community may contact the program directly to speak with project coordinators to begin the process. Lately, no new communities have been added to the project roster; however, the application process will be opening again soon, and the program will be looking to help new communities.

Ms. Isais was asked how communities are selected for inclusion in the program. It is currently a very competitive process as multiple communities are vying for few available spots. Once a community begins the application process, local community leaders will work with many different agencies (e.g., planning, design, landscape, etc.) in order to develop an application plan to submit to the program for approval or rejection.

### **Local Economic Development Act**

Barbra Brazil, deputy secretary, Economic Development Department (EDD), Antoinette Vigil, regional representative, Region Four, EDD, and Patrick Vanderpool, executive director, Greater Tucumcari Economic Development Corporation, provided testimony concerning the Local Economic Development Act (LEDA). The purpose of the LEDA is to assist communities in developing base economic jobs. The focus on base economic jobs restricts what type of entities can qualify for LEDA support. However, recent amendments have made this program much more inclusive of other areas of economic development. For these reasons, economic areas such as retail have been excluded from the program, as retail may result in an overburdening of the system and retail is outside of the definition of base economic jobs.

LEDA capital outlay fund proceeds may be used for direct or indirect assistance in the building of infrastructure. The support for building infrastructure ensures that New Mexico will benefit from the use of the funds even if the business ends up closing down or moving. For this same reason, the funds cannot be used to purchase equipment.

Typically, there is only one source of funding for LEDA projects. However, communities can tap extra resources when undertaking a LEDA project. The main source of funding comes directly from capital outlay funds, but the communities are able to commit local government tax revenues as well as 10 percent of their general fund money.

Currently, 19 projects are in the proposal stage and have yet to be approved. Project application is done in conjunction with the local community and with entities that undertake the planning of development. Unfortunately, the level of sophistication surrounding the use of the

LEDA might be too high for local communities, and those communities might need outside assistance or even legal help in accessing this program. Overall, the LEDA is a great economic tool, but communities must have the appropriate projects in order to access this program, and then those communities must go through an arduous application process. These factors may be diverting projects away from LEDA funding and into private funding. It is a goal of the EDD to implement a marketing and advertising campaign to educate the public about these available resources.

The committee requested that the EDD prepare and provide a list of all projects, either underway or in the application process, and the location of those projects.

Representative Lundstrom made a motion to request the EDD to create a list of possible funding sources for LEDA projects. Representative Rodella seconded the motion, and it passed.

It was also requested that all the regional representatives be aware of all the funding options available to communities so that the representatives pass on the information to interested communities.

A legislator asked if any analysis is done on what, if any, percentage of LEDA funding goes toward job creation rather than job retention. An economic analysis report is run for every project application. In order to be approved, these reports must state how many new jobs will be created from the project in a five-year period. This projection includes the jobs created from the initial construction as well as permanent jobs created.

Mr. Shri Prakasia and Ms. Tejaswiwi Madabhushi requested that they be allowed to film the meeting and were granted permission by Senator Sanchez.

### **Economic Development Prospects of Uranium in New Mexico**

John H. Bemis, secretary-designate, Energy, Minerals and Natural Resources Department, and Ms. Brazil explained current and future uranium mining projects in the state. New Mexico is an energy producer and exporter, which accounts for nearly 15 percent of the gross domestic product of the state. Uranium reserves in New Mexico are estimated to be about 341 million pounds. Currently, there is a worldwide demand for uranium as nuclear power is vital to emerging countries, but the current supply levels cannot meet demand. The price per pound of uranium is over \$50.00, and if prices continue to climb to over \$100 per pound, potential profits for the state could be approximately \$31 billion.

Several companies are proposing a revival of mining operations in the state and looking to undertake new exploration and mining projects. If these mining and milling operations are implemented, there is the potential for 13,000 initial jobs and a potential for 9,000 sustainable jobs. However, even with the current permit applications that are pending, mining operations in New Mexico will not begin to produce until the year 2015 if those permits are approved in 2012.

The five biggest problems associated with nuclear energy (fueled by uranium) are capital costs, operational risks, proliferation of nuclear weapons, waste disposal and public fear. However, there are some public misperceptions surrounding some of these problems. Waste from nuclear power is relatively less than other types of energy, although nuclear waste has a much longer half-life than other types of waste.

A legislator asked what the cost difference is between open pit mining and traditional tunnel and shaft mining and whether or not milling would be done outside of the state. The uranium mines in New Mexico will be traditional shaft and tunnel mines, as there are no open pit mines proposed. Milling will have to be done outside of New Mexico because there is no infrastructure in place to support milling operations. A mill might be built here once uranium mining gets underway, as shipping costs will drastically be reduced if the mill is closer to the mine. The need for a well-trained work force will lead to the implementation of training and development of a local work force.

A legislator asked about the status of permitting for mining operations. Currently, five exploration permits for uranium have been processed. This marks a large increase in permitting activity, which is evidence of the heightened interest in New Mexico uranium.

Secretary-Designate Bemis was asked how the uranium mine clean-up efforts under the uranium legacy program are proceeding. While funding for this program is proceeding on many fronts, there is not a lot of money available; however, the program is trying to get a few sites cleaned up. Currently, the federal Environmental Protection Agency and the federal Bureau of Land Management are starting reclamation projects with the goal of finishing up these jobs. In-situ mining provides the cleanest possible method of uranium mining and is being proposed for many upcoming mining operations. This process would help to ensure ground water protection plans being implemented to protect the surrounding aquifers.

A legislator requested that the committee be provided with an economic analysis on the possible mining of uranium deposits that contains information on how much uranium is actually accessible for mining.

### **Report on New Mexico Energy Strategy: Uranium, Fossil Fuels and Alternative Energy**

Dr. Jim Peach, regents professor, Economics and International Business Department, NMSU, provided testimony regarding the inclusion of energy in the economic development of the state. New Mexico has abundant natural resources, which are part of a high-wage mining industry. There are currently a lot of energy employment needs in the state with no labor force to fill those needs. However, volatility in the markets creates uncertainty around mining operations and the actual need for labor.

Reserve estimates are a moving target. New Mexico is rich with natural gas, oil, uranium and renewable sources of energy, which makes New Mexico an idea energy/resource producer. Current energy models for countries are settling on a one-third model, meaning the energy

production will be broken down into one-third fossil fuels, one-third nuclear and one-third renewable sources.

Representative Rodella made a motion to send a letter to the EDD to request that the director be present at all future meetings of the ERDC and that an energy strategy be included in the report to be submitted to the committee in November. Representative Lundstrom seconded the motion, and it passed with the adjustment that it does not have to be the director but any representative from the EDD present at ERDC meetings.

Dr. Peach was asked if he agreed personally with the one-third model for energy production and what other possible models for sustainability he would recommend. The shift from fossil fuels to nuclear seems to be necessary, as nuclear is the only source of energy that can meet current demands. However, putting a nuclear reactor online is very cumbersome, and it may be more beneficial to focus on smaller mid-sized reactors. Currently, the state has a renewable portfolio standard, which is great for energy production. However, a pushback may be inevitable due to the higher costs involved with renewable sources. The cost of wind and solar power would not make those sources of energy competitive right now. Although fossil fuels, natural gas and nuclear provide the cheapest possible energy, New Mexico has a 20 percent renewable standard by 2020 that must be reached. Where New Mexico really has an opportunity to save on the cost of energy is in conservation efforts.

#### **Economic Development in Cebolleta Based on Uranium**

Sarah Maestas, heir, Cebolleta Land Grant, and William Hocker, trustee, Cebolleta Land Grant, said the land grant is struggling to provide jobs and develop economic infrastructure. The lack of jobs and revenue have forced the land grant to look for other ways to increase both revenue and economic development. There happens to be a large uranium deposit on the land grant that could provide many economic benefits for the land grant.

Revenue is coming in through a mining lease agreement, which has been significant to the local communities. The land grant has lost more than 165,000 acres over time by having to sell the land to pay for costs. The lease has provided the land grant with scholarships and educational opportunities. The lease will also create a number of jobs for the land grant community. With the capital it has received, the land grant has been able to undertake other economic development initiatives, but it is still hampered by a lack of infrastructure, including antiquated telecommunications systems.

The committee requested that a tour be given of the mining operations site at the next Land Grant Committee meeting.

A legislator said that a letter could be sent to Qwest/Century Link to facilitate telecommunication infrastructure in the Cebolleta Land Grant community. Representative Rodella stated that plans were provided to the Science, Technology and Telecommunications Committee to get additional service for rural communities. It was requested that staff request a status report from that committee.

**Wednesday, August 3**

**Update on the Effectiveness of Individual Development Accounts to Promote Economic and Rural Development in New Mexico**

Ona Porter, president and chief executive officer, Prosperity Works, Marvin Ginn, executive director, Native Community Finance, and Sharon Henderson, vice president, Prosperity Works, provided testimony concerning the status and success of individual development accounts (IDAs) in low-income populations. The testimony also covered predatory tax preparation on lower-income individuals.

Eligible recipients of IDAs earn under 200 percent of the federal poverty guidelines. It is the belief of the Workforce Solutions Department that IDAs will build a more stable work force and provide additional employment opportunities. Key elements of IDAs include financial management education, credit repair and life skills coaching.

Prosperity Works, through IDAs, helps create incentive-based savings account products. This allows Prosperity Works to educate lower-income individuals about the necessities of saving and provide them with the proper education and incentives to save. The incentives include a matching funds agreement, up to a certain amount, to encourage saving. These programs start with teaching school-age children the benefits of saving at early ages. The program has shown that putting an emphasis on saving for college at a young age directly correlates with those students going on to pursue higher education after high school.

The impact of IDAs in New Mexico has been significant. To date, IDAs have directly led to over \$5.7 million in deposits being held in the state and over \$2.7 million infused into local communities. These programs have also led to increased homeownership, earning power and business activity. In the history of IDAs, more than 850 accounts have been opened and completed.

Predatory tax preparation has been affecting lower-income families and individuals in New Mexico. There has been an increase in poor quality tax preparation and abuses of refund anticipation checks. Rechecks of some tax returns have found glaring inaccuracies in the returns and that they are being performed by people with no training or Internal Revenue Service tax preparer certifications. This phenomenon has affected the native communities very hard.

The committee asked staff to contact the Indian Affairs Committee in order to include Mr. Ginn on its next meeting's agenda to discuss the impacts of the predatory tax preparation practices.

A three-year grant has been received to support financial literacy courses and a Youth Savings Account Program. The courses are now being offered in five schools in the area, and a pilot Youth Savings Account Program will be launched at Gallup Central High School in August.

The committee was also provided with the Basic Economic Security Tables (BEST) for New Mexico in 2010. BEST is an index containing basic budget items and the minimum income required by families to obtain these items. The budgets do not take into account any public assistance benefits.

### **Tax Increment Development Districts: Update on Progress and Accountability for Legislative Appropriations and Capital Outlay Funds**

Brent Dupes, chief financial officer, Mesa del Sol, provided testimony regarding the status and update surrounding the Mesa del Sol network of urban villages, housing, employment centers and open space. Currently, the Mesa del Sol innovation park is home to 11 different business operations ranging from Albuquerque Studios to the new regional facility for the federal Drug Enforcement Administration. Tax increment development district financing is a mechanism in which a governing body forms a district or series of districts to support economic development. This program includes a dedication of incremental gross receipts and property taxes to pay for public infrastructure. This financing is administered by a tax increment development district board, which is made up of public sector appointees. The districts are limited to 25 years of financing.

To date, the Mesa del Sol investments are as follows: \$257 million in buildings and infrastructure, \$28 million in public infrastructure only, \$3.6 million in reimbursements from the tax increment development district and \$80 million in equity and bank debt invested, excluding vertical construction.

Job creation linked to Mesa del Sol is estimated to be approximately 5,195 jobs, with another 3,120 jobs pending.

### **New Mexico Tourism Update: Tourism Initiatives, Proposed Legislation, Top Priorities and Potential for a Dedicated Stream of Funding to Promote the New Mexico Tourism Industry**

Monique Jacobson, secretary, Tourism Department, and Sharon Shultz, chief executive officer, Tourism Association of New Mexico, explained the current and future initiatives of the Tourism Department and the associated tourism industry. The Tourism Department plans to implement a tourism strategy that will maximize travel to the state, emphasizing the need to "first serve the traveler", and change New Mexico from a stop-over state, or one that travelers stop in briefly on their way to a travel destination in another state.

Plans include building the foundation of a strong brand, unifying and leading the tourism industry in the state, providing evidence of the impact of tourism policies and improving the tactical efforts to achieve short-term goals. The Tourism Department must change its approach to bring stability and growth to the industry. This means that the department will be undertaking efforts to maximize marketing effectiveness and to capitalize on important New Mexico events like the Albuquerque International Balloon Fiesta and the upcoming Centennial Launch.

Secretary Jacobson described the success of the "Catch the Kid" campaign and how it has positively affected the department's plans of maximizing travel to New Mexico.

The committee discussed the idea the governor had put forward regarding combining the Tourism Department with the CAD and requested a study of the feasibility of this idea at the next meeting.

Allison Smith provided the committee with a breakdown of other states' models for dedicated tourism funding and suggested that New Mexico might benefit economically from a dedicated source of Tourism Department funding.

The meeting adjourned at 10:50 a.m.

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

**November 3-4, 2011  
Room 322, State Capitol**

The fourth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Senator Bernadette M. Sanchez, chair, on November 3, 2011 at 9:38 a.m. in Room 322 of the State Capitol in Santa Fe.

**Present**

Sen. Bernadette M. Sanchez, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Mark Boitano  
Rep. Ernest H. Chavez  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Sen. Clinton D. Harden, Jr.  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom (11/3)  
Sen. Richard C. Martinez  
Sen. David Ulbarri (11/3)

**Absent**

Rep. Nate Gentry  
Rep. Dianne Miller Hamilton  
Sen. Howie C. Morales

**Advisory Members**

Sen. Rod Adair (11/3)  
Rep. Zachary J. Cook  
Rep. George Dodge, Jr. (11/4)  
Rep. Andy Nuñez  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar

Sen. Sue Wilson Beffort  
Sen. William F. Burt  
Rep. Sandra D. Jeff  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Sen. George K. Munoz  
Sen. John M. Sapien  
Rep. Thomas C. Taylor  
Rep. Richard D. Vigil

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

**Staff**

Peter Kovnat, Legislative Council Service (LCS)  
Pam Stokes, LCS  
Abenicio E. Baldonado, Intern, LCS

## **Guests**

The guest list is in the meeting file.

## **Handouts**

All handouts are in the meeting file.

## **Approval of Minutes**

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

## **Thursday, November 3**

### **Introductions**

Senator Sanchez welcomed the committee and members of the audience to the meeting. She then asked committee members and staff to introduce themselves.

### **The Los Alamos National Laboratory (LANL) and Sandia National Laboratories (SNL) Tax Credit and Its Effects on Economic and Rural Development**

Mariann Johnston, team leader, Economic Development Community Programs Office, LANL, and Jackie Kerby Moore, manager, Technology and Economic Development Department, SNL, introduced themselves to the committee and thanked the committee members for being able to give a presentation. Ms. Johnston and Ms. Moore introduced their colleagues, Genaro Montoya and Danny Sanchez, to the committee.

Ms. Moore expressed how valuable the partnership is among the state, small businesses and the labs. Ms. Moore explained that due to the Laboratory Partnership with Small Business Tax Credit Act, the state, along with LANL and SNL, invested over \$4.5 million. Those funds went to support 339 small businesses in 27 counties throughout the state, mostly in rural areas. Ms. Moore added that the act provides \$2.4 million per lab and \$10,000 per business. Ms. Moore finished by adding that 1,736 businesses have been assisted, 1,549 jobs have been created or retained, \$25.2 million in technical assistance has been provided by the labs and that the New Mexico Small Business Assistance Program (NMSBA) assisted businesses in all 33 counties in New Mexico.

Ms. Johnston stated that the main mission of the NMSBA is to help small businesses in their development. In oil and gas, the treatment and the reuse of oil to help save energy and conserve ground water supplies was one of the projects that received assistance. Ms. Johnston noted that the largest industry supported is agriculture. Ms. Johnston explained that the NMSBA focuses lab staff capabilities and meets the needs and requests of small businesses. She added that there are evaluations of joint operations between the LANL and SNL.

Paul Laur, director of Eldorado Biofuels, was introduced to the committee to give an example of his business, which was assisted by the NMSBA. Mr. Laur explained that his

business treats and reproduces water for salt water algae. Mr. Laur went on to say that different strains of algae were tested and only a handful can make oil. Mr. Laur explained that the oil could be used as forms of petroleum, jet fuel, clothing, nutrition for livestock and pharmaceuticals. Mr. Laur expressed to the committee that this is a keystone industry and after the algae oil is removed, the remainder of protein and carbohydrates left over could be used by other industries for other needs. Mr. Laur stated that New Mexico has over 50 million gallons of water generated and there are 700 licensed disposals. He added that New Mexico is a perfect area for the industry. Mr. Laur ended by explaining his idea to build infrastructure around the disposals and hire 10 employees per facility, which would create 7,000 jobs throughout the state. This would benefit New Mexico and its people in these tough economic times.

### **Questions**

A committee member expressed his fascination about the organization and its projects. He stated that a lot of the sponsored projects have been discussed in other committees. He went on to explain that he was very impressed with the presentation and that this small business helps northern New Mexico. He then asked the panel what the average amount granted to small businesses was and if it can be applied for every year. Ms. Moore explained that \$20,000 is the average amount granted to small businesses. She then added that the grants could be applied for every calendar year.

A committee member asked how energy is stored. Ms. Johnston explained that this is still to be figured out. However, she stated that Santa Rosa currently has a project with wind farms.

Another committee member stated to the committee that he had been working with this business, and it has been a great program, especially for agricultural purposes. Ms. Johnston gave an example of a collaboration with New Mexico State University, in which an automated chile-picking process has been developed that separates unwanted materials from chile.

A committee member asked about acknowledging and transferring technology. Ms. Moore stated that she works closely with technology transfer departments.

Another committee member asked if there are some sorts of renewable sources of energy projects already in progress. Ms. Johnston stated that, yes, the biofuels industry has been working with numerous projects. The legislator then asked if the individual has to approach the labs to market the resources. In addition, the legislator asked if tax credits are taken into consideration when evaluating these projects. Ms. Johnston explained that small businesses must request the assistance and the labs evaluate which projects would be the most efficient to assist.

A committee member questioned whether or not the number of businesses assisted in 2011 was up from previous years. Ms. Moore replied that, yes, the number is up because the labs are partnered; a few years ago, they were not. The legislator expressed that she was surprised by the number due to recent economic troubles. The legislator stated that the information presented

was very exciting. Ms. Johnston added that there is effort to get the word out about the program, and it is seen as a tool to support small businesses.

Another committee member asked whether or not the tax credit legislation has a sunset provision. Ms. Moore stated that there is not a sunset on the legislation. The legislator questioned whether or not the money given was a loan. Ms. Johnston explained that it is not a loan and comes at no cost to the company.

### **The Regulation and Licensing Department's Vision for the Coming Years; Proposed Legislation to Promote Businesses and to Improve Business Licensing; and a Discussion of House Memorial 54 (2011) Regarding Liquor Licenses**

J. Dee Dennis, Jr., superintendent, Regulation and Licensing Department (RLD), and Mary Kay Root, deputy superintendent, RLD, introduced themselves to the committee.

Superintendent Dennis stated that in the last nine months the RLD has identified and focused on customer service. Over the next three years, the RLD will strengthen its procedures by allowing online renewals to reduce costs. Superintendent Dennis stated that the RLD is seeking to accept digital signatures, improve electronic data storage, eliminate duplication and provide a new user-friendly web site. Superintendent Dennis explained that the RLD would like to get each of its divisions to participate in finding and eliminating bad practices. Currently, the division that oversees mortgage loans has had zero investigations in the past two years. Superintendent Dennis stated that the Securities Division is the enforcement bureau in charge of investigating financial fraud associated with white collar crimes. He added that there has been an \$80 million loss to New Mexico investors. In 2009, the Securities Division had 75 new investigations and in 2011, 65 cases involved investment fraud. Superintendent Dennis said that the department's intent is to continue to emphasize criminal investigations for years to come. Superintendent Dennis stated that the RLD would like to have a partnership between the Construction Industries Division (CID) and the legislature to seek funding. Superintendent Dennis explained that the main initiative of the department is to update its information technology to reduce costs going forward. He added that the Keva Online permitting system is eight years old, does not integrate with the new energy code and cannot provide maintenance; therefore, the department would like to replace the system.

Superintendent Dennis gave an update on the Alcohol and Gaming Division. He stated that the Alcohol and Gaming Division has authority in matters dealing with violations and citations issued by the Department of Public Safety. Superintendent Dennis explained that the application has to come in with substantial completion. He added that the hearing process has been revamped. The hearing process previously took 120 to 150 days; now, it is 60 to 90 days. Over 850 administrative citations have been issued, and some of the citations will be dismissed because of the statute of limitations. He finished by stating that the division would like to educate servers about serving underage drinkers and overserving others.

Steven A. Reinhart, director, Alcohol and Gaming Division, RLD, was introduced by the panel to summarize House Memorial 54. Mr. Reinhart expressed his gratitude to the committee

for its willingness to work on regulating alcohol. Mr. Reinhart stated that the memorial had previously been introduced by Representative Cook. Mr. Reinhart explained that in New Mexico, the state controls 1,411 licenses and no more can be issued. He then stated that House Memorial 54 requests a review of the Liquor Control Act and its underlying policy that limits the number of full-service liquor licenses in each municipality and in the unincorporated portions of each county to one license for each 2,000 inhabitants. Mr. Reinhart added that the division is asking for more information and possible solutions to the current problem. He noted that there will be seven roundtable discussions around the state, mostly in the southern part of the state.

## **Questions**

Committee members asked when the results would be in on the House Memorial 54 review. Mr. Reinhart said that the information should be in around November or December of 2011, and he hopes to have all the information in place for the 2013 session. Committee members then asked why more of the meetings are being held in the southern portion of the state than in the northern areas. Mr. Reinhart explained that the issue with the number of licenses does not affect the north as much as it does the south.

A legislator then asked, if the division had to prioritize, which issue would be the most important to address and when would legislation be proposed. In response, the panel members stated that the statute on alcohol and underage drinking would be the most important and that the underage server violation would be the only focus in the upcoming 2012 session.

Another committee member questioned who is in charge of doing the actual enforcement. Mr. Reinhart stated that the Special Investigations Division is in charge. In addition, he said that the idea is to reduce penalties on servers who serve underage drinkers.

A committee member asked if there was previous legislation introduced. Mr. Reinhart responded that it was substantially the same; however, there are problems with the prior legislation.

A committee member commented that law enforcement is overburdening the system with the current law and thinks that felons are being made out of kids who are trying to make money for school. The committee member then asked whether or not there has been any thought about going to old laws regarding the purchase of alcohol at an establishment for a minor by a parent. In response, the panel stated that it has not looked into that aspect, but it is looking at every possibility through all of the divisions and boards, including compliance officers and investigators for unlicensed practices.

Allison Smith, lobbyist, New Mexico Restaurant Association, stated that her organization will be working with the RLD.

A committee member expressed appreciation for the willingness of the department to go out into different municipalities.

Another committee member commented that she has been notified about concerns of beer and wine licensing in her district. She then questioned the panel if it has received any complaints. In response, the panel stated that it is not aware of any complaints from that area. The committee member then asked Mr. Kovnat if the committee could receive more presentations from the CID, as it would be essential for further information in drafting legislation.

A committee member commented that the information is very helpful on the RLD's web site. However, the department needs to work on its web site due to misspellings and additional errors. He suggested that the information technology personnel take more time to work on the web site. He also noted that there should be a strategic plan between the industries and information technology personnel to crosslink their web pages. He then asked the panel whether or not it would be a good idea to have guidelines for new business entities to follow. Superintendent Dennis responded that the legislator's comments are well taken about the web site, and he hopes to have it straightened out by the end of November. In response to the committee member's question, Superintendent Dennis explained that the RLD is working on guidelines and written procedures to help new businesses.

Another committee member questioned whether a person could buy an alcoholic beverage at an establishment without food. In response, Mr. Reinhart stated that 60% of the receipt has to be food, and 40% could be alcohol.

A committee member questioned whether or not the department regulates licensing gas stations and those selling "spice". Superintendent Dennis stated that, yes, the Taxation and Revenue Department would look at that area. The legislator then requested that the panel not only work with industry, but unions and everyone who works in industry or has some sort of impact.

Ron Griggs, mayor, Alamogordo, asked the committee if he could make a comment about House Memorial 54 in correlation with the City of Alamogordo. Mayor Griggs stated that the majority of licensed establishments are in metropolitan areas and many are moving from small communities due to costs. He added that the chances of small restaurants being able to afford the costs of liquor licenses are decreasing. Mayor Griggs commented that economics are affecting opportunities in rural areas.

### **Financial Assessment of Merging the Tourism and Cultural Affairs Departments**

Gregory Baird, executive budget manager, State Budget Division, Department of Finance and Administration, and David Lucero, analyst, Legislative Finance Committee, introduced themselves to the committee. Mr. Baird began by giving a summary of a bill that merges the Tourism Department and Cultural Affairs Department.

Mr. Baird stated that there have been consolidations in the proposed bill because in the 2011 session, the bill's predecessor did not pass. Mr. Baird explained to the committee that the proposed bill cleans up statutory references and renames the merged department. The bill

updates current statutes on monuments, repeals relevant statutes, creates 19 divisions and authorizes the creation of the African American Cultural Division within the Tourism and Cultural Affairs departments. In addition, the bill would enact the creation of an African American Cultural Arts Center in statute. In response to the summary of the bill, Mr. Lucero added that, in statute according to the fiscal impact report, the legislation could save \$863,000. On a final note, Mr. Baird stated that combining the Tourism and Cultural Affairs departments provides the opportunity for the two departments to work together and save money.

### **Questions**

A committee member questioned whether or not the governor would put the bill on her call for the session. In response, Mr. Baird stated that it is his understanding that it will be put on the call.

Another committee member asked if there is agreement on combining the two departments from all parties involved. Anne Green-Romig, Cultural Affairs Department, explained to the committee that the departments have already begun to work together.

A committee member asked if *New Mexico Magazine* has given input on the matter of combining the Tourism and Cultural Affairs departments. Mr. Baird stated that there has been no outside input and most of the input has been from the executive. The committee member added that the Tourism Department should be part of the Economic Development Department, not the Cultural Affairs Department.

Another committee member explained that both cabinet secretaries are aware of the proposal and see the combination of the two departments as a tool to bring visitors to New Mexico. In addition, she explained that there is a lot of support for the merger.

A committee member commented that all the restructuring bills did not get through the standing committees. The committee member explained that the merger between the two departments makes sense and the mission of economic development is different between the two. The committee member went on to ask if the State Fair Commission owns all of its property. Mr. Lucero responded that most property is leased to a couple of other locations and the African American Performing Arts Center would be separate from the State Fair Commission.

### **Transportation Reinvestment Zones**

James P. O'Neill, president, O'Neill Consulting LLC, introduced himself to the committee and thanked the committee for allowing him to present a summary of his proposed bill. The bill's intent is to implement a tool for local governments to use on transportation issues, with a focus on land use for economic development. Mr. O'Neill explained that most local areas have land use plans, and this legislation gives local governments the tool to address the most important plans. Mr. Baird also noted that there is an option for the state to join in the gross receipts tax. Most of these projects include state roads and facilities and the gross receipts tax is going to help commit less money than having state funding. Mr. Baird stated that the idea is to

give local governments an opportunity to create more jobs. On a final note, Mr. Baird stated that there is no proposal to expand any tax and that this is still a work in progress.

## **Questions**

A committee member explained that there are ways to leverage this proposal between local government and the New Mexico Finance Authority, and that it is important that development is tied in with land use.

Another committee member questioned whether or not this is a local government mechanism to tap into gross receipts taxes for economic development. Mr. O'Neill explained that local governments cannot adjust the gross receipt tax rate. The committee member then asked whether or not a local government can impose impact fees. In response, Mr. O'Neill stated that, yes, impact fees could be used to finish a certain project. The committee member then asked, if the bill passes, would local governments go to a negative or positive referendum. Mr. O'Neill stated that this bill does not change their taxing authority, use of revenues or use of positive or negative referendums.

A committee member asked, if there is a threshold, is there a way to track it. In response, Mr. O'Neill explained that the county assessor would go and view what a business is giving at that time.

A committee member commented about a casino near her hometown. The committee member explained that there are few businesses around the area of the casino. However, if this proposed bill had been implemented then, it could have helped business initiatives around the area of the casino.

Another committee member questioned if local governments are not allowed to increase any gross receipt tax imposed. Mr. O'Neill stated that for the most part this is true; a bondholder cannot be cheated, as long as it is protected.

A committee member commented that if projects were bonded in her hometown, the downtown area could be rebuilt and sidewalks and parking could be improved, as well.

Another committee member asked what kind of disclosure would be given to customers who are going into these businesses. In response, Mr. O'Neill explained that the customers would not pay a different rate because as business and revenue expand, the tax rate remains the same. The committee member then questioned if there are any plans for introducing legislation next session. Mr. O'Neill responded that he is hoping to introduce legislation during the next session.

A committee member questioned whether or not other states are doing the same thing. Mr. O'Neill responded that, yes, neighboring states have begun implementing the same idea. The committee member then questioned whether the Taxation and Revenue Department would be affected. In response, Mr. O'Neill stated that it would be affected.

## **Home-Based Work**

Mark Lautman, founder, Lautman Economic Architecture, and Debbie Maestas-Traynor, president, New Mexico Chapter, National Association of Women Business Owners (NAWBO), introduced themselves to the committee.

Mr. Lautman stated that home-based work is growing. He further explained that the fastest way to create home-based jobs is by going after all the individuals in a community that are underemployed or unemployed. Mr. Lautman stated that almost every job can be done from home. There are thousands of individuals who cannot afford commuting to the jobs they are qualified for and home-based work is the opportunity for them to use their qualifications. Mr. Lautman stated that approximately 4.9% of employed New Mexicans, or about 42,500 people, work primarily from home. Thirty-seven percent of New Mexico's home-based workers are employed in economic-based industries, meaning that their work brings new money into their communities, increases the size of their local economy and indirectly improves living standards for all. Because home-based workers do not commute, they are likely to spend more of their income in their own community, impose less wear and tear on roadways and contribute less air pollution and traffic congestion than do traditional workers. In New Mexico, 18,000 home-based workers support another 78,000 jobs throughout the New Mexico economy. Mr. Lautman added that home-based workers contribute significant tax revenue to the state and local communities. Mr. Lautman noted that home-based worker recruitment and retention initiatives should focus on workers that export services, particularly professional, technical and management consulting services. On a final note, increasing the number of home-based workers by 10% through targeted recruitment of location-neutral providers of professional services would create 4,250 direct jobs and 17,595 indirect jobs.

Ms. Maestas-Traynor began with an overview of NAWBO, which was founded in 1975. Ms. Maestas-Traynor stated that NAWBO is the unified voice of America's more than 10 million women-owned businesses, which represent the fastest-growing segment of the economy. The NAWBO is the only dues-based organization representing the interests of all women entrepreneurs across all industries and boasts over 7,000 members and 70 chapters across the country. Ms. Maestas-Traynor stated that there are 85 members in the New Mexico chapter. She noted that 26% are finance and insurance owners, 12% own construction and real estate firms, 10% are in government, 9% own advertising, marketing and communications businesses and 43% own legal and entertainment firms. Ms. Maestas-Traynor explained that some the benefits of home-based businesses are flexibility and increased quality of life. The challenges are professional development, daily face-to-face contact with others, professional settings for meetings, staying current with government regulations, taxes and employment laws and health insurance.

## **Questions**

A committee member commented that the committee must look at possible future legislation in regard to health insurance. A bill could help these small home-based workers join the chambers, instead of private health care. She then expressed that the committee has had a long-

standing history of the individual being the focus. In addition, she believes this is an important initiative and would like to help.

Another committee member asked how many home-based workers have a health plan. Ms. Maestas-Traynor explained that the majority have some sort of insurance and those with employees offer their employees a plan. However, many home-based workers must find another plan.

Another committee member commented that this presentation is significant and agreed with another committee member that this is a great idea. The committee member explained that something needs to be done to create an environment for this program to develop, and currently, there is plenty of activity around small businesses.

### **Preventing Metal Theft**

Leo Baca, director, government affairs, CenturyLink, Inc.; Mike Sindelar, detective, San Juan County Sheriff's Office; and Minda McGonagle, lobbyist, Responsible Metal Recyclers Initiative (RMRI), introduced themselves to the committee.

Mr. Baca stated that multiple agencies and industries are affected by metal theft, such as state and local governments, law enforcement, the telecommunications industry, the electric industry, the construction industry, the oil and gas industry and large property owners like Walmart and the Albuquerque Public School District. Mr. Baca further explained that the average cost of each theft of CenturyLink copper is \$7,000. In 2011, CenturyLink has had over 100 copper thefts in just the Bernalillo County and Valencia County areas. He noted that total losses in New Mexico this year are approaching \$1 million. Mr. Baca stated that representatives from utility companies, homebuilders and other industries have been meeting with the RLD and the recycling industry to develop legislation that is effective yet practical to implement. Mr. Baca stated that eliminating metal theft requires effort from the legislature, law enforcement, the affected industries and the public.

Detective Sindelar stated that the best public response was when the metal theft caused power outages. Detective Sindelar explained that the Sale of Recycled Metals Act was passed, but it is limited in its success. Detective Sindelar explained that the San Juan County Sheriff's Office has done compliance operations and in six salvage yards, undercover agents were able to buy scrap metal under the table. A database was established to help find out who is taking materials and from where it is being taken. Detective Sindelar stated that efforts to get individuals in compliance with current law is difficult, and new laws are needed to improve prosecution for those who are not in compliance.

Ms. McGonagle gave an introduction to the new organization known as the RMRI. The intent of the organization is to provide a beneficial service to the state based on ethics, sound business principles and being a good neighbor within the community. Ms. McGonagle stated the metal recyclers have 100 to 300 transactions a day, averaging \$50.00 per transportation. She added that it is very hard to track thieves who are selling scrap metal for money. Scrap Theft

Alert is a database developed to alert everyone registered about reported thefts. Ms. McGonagle stated that more participation from law enforcement and communities could further prevent metal theft.

### **Questions**

A committee member commented that pawned or sold items must be reported and views the database as an essential piece for both sides. The committee member questions whether or not the database is working. Detective Sindelar responded that the database is sometimes sporadic, but for the most part it is beneficial to law enforcement. However, Detective Sindelar stated that well-known criminals are finding other networks in which to sell stolen metal.

Another committee member expressed his support for the ideas for new legislation. In addition, the committee member explained, the Scrap Theft Alert database is phenomenal. He would like to hear more about it through commercials and newspaper ads to expand the database to a bigger audience. On that note, Ms. McGonagle stated that the RMRI is working hard to make a difference and make the database well known.

Representative Garcia moved to approve the minutes from the previous ERDC meeting. Senator Harden seconded the motion, which passed.

The committee recessed for the day at 4:06 p.m.

### **Friday, November 4**

#### **Real Impact: Economic Results to New Mexico of Tax and Other Incentives of the Film Industry, the Energy Industry, Job Training Programs and Businesses**

Barbara Brazil, deputy secretary, Economic Development Department, Tom Clifford, secretary, Department of Finance and Administration, Elisa Walker-Moran, chief economist, Legislative Finance Committee, and Demesia Padilla, secretary, Taxation and Revenue Department, introduced themselves to the committee.

Deputy Secretary Brazil began by stating that she developed a CD for committee members who had questions during the meeting in Grants. Deputy Secretary Brazil stated that economic incentives are needed because they are used around the country, signal a business-friendly climate, are a tool kit for economic developers and foster competition among states. She added that numerous programs offer incentives to businesses and the qualifications needed to receive tax incentives. Deputy Secretary Brazil stated that the film production tax credit attracts the film industry to the New Mexico. She added that a web site shows all details of movies filmed in New Mexico, most of which are filmed in rural areas. Deputy Secretary Brazil expressed that energy is critical to New Mexico. Wind, solar, oil and biofuel energy can all be found in New Mexico. She also noted that oil and gas are essential to the state because New Mexico is one of the largest producers in the nation.

Secretary Clifford stated that New Mexico's tax structure imposes the highest business tax. He proceeded by telling the committee to think about tax codes and how they compare with other states. Corporate income tax and gross receipts tax are two major problems today. Secretary Clifford expressed the importance of oil and gas. In addition, Secretary Clifford stated that there must be awareness of the state's general fund.

Ms. Walker-Moran stated that tax expenditures are government spending programs authorized through the tax code. Although tax expenditures are an important component of the state's annual budget, the state does not have a systematic means of reporting and analyzing their effects. Tax expenditures can be an efficient means of targeting selected populations for benefits and to influence the decisions of private individuals to further the goals of public policy. New Mexico's tax code has hundreds of tax expenditures. Each of New Mexico's major tax programs contains numerous tax expenditures that affect almost all taxpayers. Consideration should be given to a comprehensive bill that sunsets all existing tax incentives. She added that the Legislative Finance Committee produces a tax incentive report, and the Taxation and Revenue Department will produce a tax budget report.

Secretary Padilla noted that tax expenditures are important for a legislator to be familiar with to make decisions. She added that problems are occurring with taxpayers' expectations and partnering with the Economic Development Department could help.

### **Questions**

A committee member asked if there are proposals on any new tax incentives, grants or elimination of incentives. Secretary Clifford stated that discussions are taking place for new ideas for tax reform.

Another committee member asked Secretary Brazil how she felt about investing more in rural communities. She stated that the department is very supportive in expanding Main-Street and frontier communities. The committee member then questioned how the film industry is doing. Nick Maniatis, director, New Mexico Film Office, introduced himself to the committee and responded to the questions. He stated that the film industry is doing great, and New Mexico is still one of the top states for filming and incentives.

A committee member asked if there is a film report yet. Deputy Secretary Brazil stated that there should be a report before the end of the fiscal year.

A committee member questioned the progress of biomass and if investment is the problem. Deputy Secretary Brazil stated that the department would investigate to find out and would report back to the committee.

Committee members discussed sunsets on current incentives and agreed that many incentives are good and do not have sunsets. Deputy Secretary Brazil noted that some have sunsets and some do not. She agreed that analysis review is important. A committee member

commented that, as policymakers, they need to know what credits have not been utilized and repeal them.

### **Rural Economic Opportunities with Corn Board Manufacturing, Inc.**

Lane Segerstrom, chief executive officer, Corn Board Manufacturing, Inc., and Jay Herrin, president, Corn Board Manufacturing, Inc., introduced themselves to the committee and passed out samples of corn board.

Mr. Segerstrom stated that corn board is made by taking the leftover cornhusks and leaves from the corn after it has been harvested, adding a binder and pressing it under heat and pressure into an engineered board. Corn stover is husk, leaves, stalks and cobs that are left in the field after the corn has been harvested with a combine. Only 50% of the corn stover that is collected is used to produce corn board. The remaining 50% of the collected corn stover is milled and pressed into fuel pellets with a British thermal unit (BTU) value of 7,500 BTUs per pound. Mr. Segerstrom explained that corn stover is the most abundant and readily available renewable biomass material on the planet. If all available corn stover were baled into 1,000-pound round bales and placed end to end, they would circle the Earth 21 times. More than 95% of corn stover is not utilized; it is left in the field to decompose. Corn board technology was developed and patented by researchers at the University of Illinois. Corn board has the potential to be used as a wood replacement material in thousands of consumer products. Corn Board Manufacturing, Inc., has already developed, produced and brought to market multiple corn board-based products. Mr. Segerstrom added that eight to 10 corn board production plants can be located in New Mexico. New Mexico has the vision and foresight to embrace technologies and ideas that are on the forefront of innovation and lead economic growth in rural areas.

### **Questions**

A committee member expressed his fascination with this concept. The committee member asked if Corn Board Manufacturing, Inc., were to relocate to New Mexico, would farmers have to pick up the corn stover and transport it to Corn Board Manufacturing, Inc. Mr. Segerstrom explained that there are biomass programs that contract with farmers to bale the stover and pay them a per-ton rate. However, the most likely scenario is that Corn Board Manufacturing, Inc., would go in and bale the material. The committee member thanked the presenters and said it is a great idea for New Mexico.

Another committee member asked if Corn Board Manufacturing, Inc., is in production with any other markets. Mr. Segerstrom stated that it is in production with other markets. The committee member then questioned how old the company is. Mr. Segerstrom responded that the company has been around for two years.

A committee member asked how corn board would be competitive price wise. Mr. Segerstrom noted that his company cuts out the middle man.

Another committee member expressed his interest and asked about the costs compared to waferboard. Mr. Segerstrom stated that corn board is far superior and corn board makes a better board. He noted that corn board is cheaper because the stock is cheaper.

A committee member asked if Corn Board Manufacturing, Inc., has worked with the Economic Development Department. Mr. Segerstrom stated that he has not worked with the department, and the ERDC is the first committee before which he has spoken.

### **The Homeowners Association Act**

Representative Mimi Stewart; Garret Price, vice president of land, Pulte Homes of New Mexico, Inc.; and Amanda Shaw, president, Associated Asset Management LLC, introduced themselves to the committee.

Representative Stewart stated that she has a constituent who had problems with a homeowners association. New Mexico is one of the few states that does not have statutes regarding homeowners associations. The proposed bill applies to new homeowners associations with some exceptions. The bill's main focus is basic procedural issues such as open meetings and electing boards.

Ms. Shaw explained that in Arizona, the state manages homeowners associations, and she is excited to help with the legislation. She noted that a lot of the philosophy and statutes are from Arizona.

Mr. Price added that Ms. Shaw was asked to share her expertise. In addition, Mr. Price is in full support of the Homeowners Association Act.

### **Questions**

A committee member asked if a company wants to put in a neighborhood, can they continue to to capitalize on those restrictions where homeowners cannot use solar panels; or, can they put it in the covenants. Representative Stewart stated that they cannot say no, but they could put it in their covenants and make it a restriction.

Another committee member asked whether or not it is up to the legislature to tell homeowners associations how to run their neighborhoods. The committee member asked if there is a zoning and planning committee to decide on the matter. Representative Stewart explained that a city cannot tell the association how to run its communities. There are no statutes that prohibit or enact any laws that require associations to follow rules.

A committee member asked if boards are elected or appointed. Representative Stewart stated that it varies in every community.

Another committee member asked Ms. Shaw if her company took over the Petroglyphs community and expressed her dissatisfaction with the current association. Ms. Shaw responded that, yes, her company took over the Petroglyphs in January 2011. In addition, Ms. Shaw

assured that her company will do its best to make sure there will be levels of protection for those who live in that community.

Mary E. Martinek, director and chief lobbyist, government affairs, REALTORS Association of New Mexico, commented that the association has been proactive without disclosures for sellers. In addition, she said it would have to oppose the proposed bill.

### **Public Comment**

Diane Surely, real estate agent, introduced herself to the committee. Ms. Surely stated that she understands the feelings of the committee and coming up with something is long overdue. She stated that homeowners associations are another form of government that believe they can do whatever they please because there are no covenants. She noted that the proposed act is a good effort.

Carol Bernstein, introduced herself to the committee. She stated that the right of rescission piece of the bill must be solved to avoid affecting short-sale properties. She added that she is in favor of consumer protection and asked the committee to consider short-sale properties.

### **Legislative Endorsements**

Senator Sanchez addressed the committee regarding proposed legislation for the 2012 legislative session.

### **Legislation**

.187381.4

Sponsored by Senator Sanchez, this joint memorial requests that the state make the energy industry a central component of the state's economic development strategy.

Upon a motion by Representative Garcia, seconded by Senator Martinez, the committee voted without objection to endorse the memorial.

### **Adjournment**

There being no further business before the committee, the fourth meeting of the ERDC adjourned at 1:23 p.m.

# **ENDORSED LEGISLATION**

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SENATE JOINT MEMORIAL

**50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

A JOINT MEMORIAL

REQUESTING THAT THE STATE OF NEW MEXICO MAKE THE ENERGY  
INDUSTRY A CENTRAL COMPONENT OF THE STATE'S ECONOMIC  
DEVELOPMENT STRATEGY.

WHEREAS, the energy industry has many advantages as the  
basis for an economic development strategy in New Mexico; and

WHEREAS, energy industry activity is in all thirty-three  
counties of the state; and

WHEREAS, the energy industry has a long history in the  
state, and that history provides New Mexico with a competitive  
advantage; and

WHEREAS, energy industry output enhances the state's  
export economy; and

WHEREAS, the energy industry is a high-wage industry and  
has large income and employment multipliers; and

.187381.4

underscoring material = new  
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1           WHEREAS, New Mexico has abundant natural resources to  
2 support the energy industry; and

3           WHEREAS, there is a constant demand for energy output; and

4           WHEREAS, scientific and technological advances allow for  
5 safer and more environmentally friendly practices for the  
6 energy industry, and those practices will continue to improve;  
7 and

8           WHEREAS, the energy industry is critical to the economic  
9 health of rural areas of New Mexico; and

10          WHEREAS, New Mexico is ranked fifth in the United States  
11 in proven reserves of crude oil; and

12          WHEREAS, New Mexico is ranked sixth in the United States  
13 in proven reserves of dry natural gas, which reserves include  
14 much of the San Juan basin, which is the nation's largest field  
15 of proven natural gas reserves; and

16          WHEREAS, New Mexico is ranked twelfth in the United States  
17 in coal production; and

18          WHEREAS, New Mexico has the second-largest identified  
19 uranium ore reserves of any state in the nation; and

20          WHEREAS, New Mexico ranks seventeenth in the United States  
21 in total wind energy capacity, and five percent of New Mexico  
22 power in 2010 was generated by wind;

23          NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE  
24 STATE OF NEW MEXICO that the state promote New Mexico as an  
25 energy industry state and make the energy industry a central

.187381.4

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1 component of the state's economic development strategy; and

2 BE IT FURTHER RESOLVED that copies of this memorial be  
3 transmitted to the governor, the secretary of economic  
4 development and the appropriate interim legislative committees.

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