



NEW MEXICO LEGISLATURE

ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

2016 INTERIM FINAL REPORT

LEGISLATIVE COUNCIL SERVICE
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INTERIM SUMMARY

Economic and Rural Development Committee 2016 Interim Summary

During the 2016 legislative interim, the Economic and Rural Development Committee met six times in communities throughout the state. In addition to holding two meetings in Santa Fe, the committee traveled to Grants, the Village of Milan, Las Cruces, Roswell and Las Vegas, and it held a joint meeting with the Land Grant Committee in Anton Chico.

The committee explored a variety of issues during the interim with an emphasis on actions the legislature could take to foster economic and rural development. The committee received presentations regarding: the future of extractive and energy industries; agritourism and industrial hemp; the economic and social importance of water; access to health and dental care in rural communities; and the expansion of broadband, among others. Panelists discussed with the committee suggestions for revisions to the state's liquor licensing laws, approaches to combat opioid addiction and opportunities to support film production in the state.

The committee heard updates from the leadership of state agencies whose missions have a role in economic development, including Secretary-Designate Matt Geisel of the Economic Development Department, Secretary Celina C. Bussey of the Workforce Solutions Department and Superintendent Robert (Mike) Unthank of the Regulation and Licensing Department. Directors from state agencies addressed recent changes to workers' compensation, the successes of the MainStreet Program and environmental regulatory impacts on the energy economy.

At its final meeting, the committee considered legislation proposed by committee members to be introduced during the 2017 session and endorsed legislation establishing an industrial hemp research and development program, appropriating funds to New Mexico-grown fresh fruits and vegetables in school meals and the Osteopathic Medical Student Loan for Service Fund and making an amendment to the Osteopathic Medical Student Loan for Service Fund to allow grants and donations to be credited to the fund. The committee also endorsed a letter to the federal secretary of energy urging continued community investment by the awardee of the management contract at Los Alamos National Laboratory and a letter to New Mexico's congressional delegation urging consideration of the economic impact of environmental regulations on the viability of New Mexico's coal industry.

WORK PLAN AND MEETING SCHEDULE

**2016 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

Members

Rep. Rick Little, Chair
Sen. Benny Shendo, Jr., Vice Chair
Sen. Jacob R. Candelaria
Sen. Ron Griggs
Rep. D. Wonda Johnson
Sen. Richard C. Martinez
Sen. Michael Padilla

Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Patricia Roybal Caballero
Sen. Pat Woods
Rep. Bob Wooley
Rep. John L. Zimmerman

Advisory Members

Rep. Eliseo Lee Alcon
Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. George Dodge, Jr.
Rep. Nora Espinoza
Rep. Bealquin Bill Gomez
Rep. Jimmie C. Hall
Rep. Dianne Miller Hamilton

Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Sen. Mark Moores
Sen. Mary Kay Papen
Rep. Dennis J. Roch
Rep. Nick L. Salazar
Sen. William E. Sharer

Work Plan

The Economic and Rural Development Committee (ERDC) was created by the New Mexico Legislative Council on May 9, 2016. During the 2016 interim, and as time permits, the ERDC proposes to explore and discuss major areas and specific issues affecting economic and rural development in the state as follows:

A. regulation, licensing and policy revisions, including:

1. liquor licensing, unintended consequences of the current regulatory scheme and industry suggestions to address licensing concerns specific to rural communities;
2. workers' compensation, including a summary of its historical development;
3. prevailing wage and minimum wage issues; and
4. New Mexico's competitiveness with other states in creating a business-friendly environment;

B. taxes and financial incentives;

C. business development resources and state-supported strategies, including:

1. economic and rural development strategies and successes from other states; and
2. public-private partnerships and the promotion of private industry investment in the state;

D. infrastructure, utilities and basic needs in New Mexico communities, including:

1. health care workforce development;
2. building a smarter energy infrastructure through a balanced energy mix;
3. established and developing energy industries and the status of the energy economy and its prospects for the future;
4. mining in Cibola County;
5. affordable broadband expansion in rural New Mexico; and
6. the status of and need for utility infrastructure in rural New Mexico;

E. workforce training, education and research;

F. reports from executive agencies, political subdivisions and legislative committees, including:

1. current and proposed programs and 2017 legislative session priorities of the Economic Development Department;
2. current and proposed programs and 2017 legislative session priorities of the Workforce Solutions Department;
3. current and proposed programs and 2017 legislative session priorities of the Regulation and Licensing Department and its associated divisions;
4. updates and 2017 legislative session priorities of the Taxation and Revenue Department;
5. the Jobs Council's job creation plan;
6. updates and 2017 legislative session priorities of acequias;

7. updates and 2017 legislative session priorities of the New Mexico Film Division and the film industry;
8. updates on allocations from the Public School Capital Outlay Fund for broadband infrastructure in rural schools;
9. a report from the Elephant Butte Irrigation District on water issues significant to lower Rio Grande users; and
10. progress reports on the expenditure of funds specifically appropriated by the legislature for economic development purposes;

G. additional topics relating to rural and economic development in the state, including:

1. the development and promotion of agritourism in New Mexico;
2. the development of biotechnology industry in the state;
3. New Mexico First town hall recommendations on economic development policy;
4. the economic impact of the Gathering of Nations;
5. the Site Selectors Guild criteria for corporate site selection;
6. the economic impacts of opioid use in rural communities; and
7. industrial hemp and its potential as an alternative cash crop; and

H. proposed economic-development-related legislation and reevaluation of previously proposed or committee-endorsed legislation.

**Economic and Rural Development Committee
2016 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 3	Santa Fe
July 13-14	Grants
August 3-4	Las Cruces
September 1-2	Roswell
October 11-12	Anton Chico — joint meeting with Land Grant Committee; Las Vegas
November 2-3	Santa Fe

AGENDAS AND MINUTES

Revised: May 26, 2016

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

**June 3, 2016
Room 307, State Capitol
Santa Fe**

Friday, June 3

- 10:00 a.m. **Call to Order and Introductions**
—Representative Rick Little, Chair
- 10:15 a.m. (1) **[Initiatives and Legislative Priorities of the Regulation and Licensing Department \(RLD\)](#)**
—Robert (Mike) Unthank, Superintendent, RLD
- 11:15 a.m. (2) **[Review of the Committee's 2015 Interim Work and 2016 Committee-Endorsed Legislation](#)**
—Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
- 11:45 a.m. (3) **[Discussion of Work Plan and Meeting Schedule](#)**
—Shawna Casebier, Staff Attorney, LCS
- 12:30 p.m. **Adjourn**

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

**June 3, 2016
Room 307, State Capitol
Santa Fe**

The first meeting of the Economic and Rural Development Committee was called to order by Representative Bob Wooley, acting chair, on June 3, 2016 at 10:25 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Rick Little, Chair
Sen. Jacob R. Candelaria
Rep. D. Wonda Johnson
Sen. Michael Padilla
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Bob Wooley
Rep. John L. Zimmerman

Absent

Sen. Benny Shendo, Jr., Vice Chair
Sen. Ron Griggs
Sen. Richard C. Martinez
Rep. Patricia Roybal Caballero
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon
Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. Nora Espinoza
Rep. Jimmie C. Hall
Rep. Patricia A. Lundstrom
Rep. Dennis J. Roch
Rep. Nick L. Salazar

Rep. George Dodge, Jr.
Rep. Bealquin Bill Gomez
Rep. Dianne Miller Hamilton
Sen. Carroll H. Leavell
Sen. Mark Moores
Sen. Mary Kay Papen
Sen. William E. Sharer

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
Celia Ludi, Staff Attorney, LCS
Chris Pommier, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Friday, June 3

Call to Order — Introductions

Representative Wooley called the meeting to order and announced that the chair and several committee members had been delayed by traffic on I-25 between Albuquerque and Santa Fe. He welcomed members of the committee, staff and guests to the meeting. Committee members and staff introduced themselves.

Initiatives and Legislative Priorities of the Regulation and Licensing Department (RLD)

Robert (Mike) Unthank, superintendent, RLD, presented updates from the department to the committee. Referring to his handout at Item (1), Superintendent Unthank named the seven organizational divisions of the agency and emphasized the RLD's economic development initiatives designed to support the businesses it regulates and to provide the most easily accessible, up-to-date information to businesses and the public.

Working through his handout, Superintendent Unthank said that the RLD has been working with the secretary of state, the Taxation and Revenue Department and the Workforce Solutions Department to develop the Statewide Portal Project in accordance with Senate Bill (SB) 9 from the 2014 legislative session. SB 9, the One-Stop Business Portal Act, requires development of a website that is free, user-friendly, searchable and accessible to the public in order to conduct certain business transactions electronically. The site is required to provide a single point of entry that allows users to access taxation information; make taxation filings and payments; access workers' compensation information and make related payments; complete and submit applications for licenses, registrations and permits and other documents issued by state agencies that are required for transaction of business in New Mexico; communicate with customer service representatives during regular business hours; and access the New Mexico Sunshine Portal. The statewide portal must be in service by July 1, 2017. The RLD is also reviewing statutes, rules, policies and procedures to de-regulate where no health or safety issue is implicated.

Regarding the Boards and Commissions Division, Superintendent Unthank said that the RLD reverted money from several funds in the immediately preceding fiscal year, which has prompted a review of the various fees charged by the different boards and commissions. His view is that if money is reverted, it indicates that fees are set higher than they need to be to cover board or commission operations. Superintendent Unthank reiterated that the RLD's primary responsibility is to protect the health and safety of the public, not to protect particular industries or professions by restraining entry by setting high licensing fees and requiring unessential paperwork. He related that the RLD had identified an important company in Alamogordo called "PreCheck", which performs background checks for health care employers. All work is done by computer, but under previous regulations, the employees were required to be licensed private investigators. Private investigator licenses were \$200 per year, a substantial cost of doing business for the company, which was causing the company's owner to consider moving to Nevada. The licensing fee was reduced to \$50.00, and the company remains in New Mexico. The RLD is also working with the federal Department of Veterans Affairs (VA) to allow the VA to access the state prescription drug registry so that VA health care providers can see when prescriptions for opioids are issued by private health care providers to reduce the incidence of

multiple providers issuing prescriptions for the same condition; often in those instances, the recipient of the prescriptions illegally resells the drugs.

Regarding the Alcohol and Gaming Division (AGD), Superintendent Unthank remarked that the growth in the industry now comes primarily from the proliferation of brewpubs. He described a new staggered system for alcohol license renewals that the legislature passed in 2015. Formerly, all alcohol licenses of every type were renewed effective July 1; the 2015 statutory change sets three different renewal dates depending on the type of license. That change smooths out the renewal application processing workload and allows the RLD to timely accomplish all renewals without adding either staff or short-term contractors to process the renewal applications. Superintendent Unthank also informed the committee that RLD staff is working on clarifying the rules relating to the AGD to eliminate redundant or confusing language.

Superintendent Unthank commented that the RLD's Securities Division is expanding its social media presence to offer fraud education to people who have elderly parents who are vulnerable to scammers.

Superintendent Unthank related that the effort to revise rules to eliminate redundant or confusing language is a department-wide initiative that started in the Construction Industries Division (CID), where nine redundant licensing classifications have been eliminated. The RLD is also encouraging municipalities to amend their building codes to mirror the state's codes, but statutes only require municipalities to adopt the state codes as minimum requirements; some municipalities have adopted more stringent requirements than the state. The CID is getting ready to bring its proposed building code amendments to a public hearing as part of the rulemaking process. The CID is now working on cross-certifying (e.g., electrical and plumbing) 17 CID staff inspectors to reduce redundancies, industry wait times and travel expenses of the inspectors. For example, if a project is ready for both electrical and plumbing inspections at the same time, one cross-trained inspector can do both inspections in the same visit, instead of having one inspector for each type of inspection in separate visits, thus reducing the customer's wait time, shortening the turnaround time and reducing the department's staff and travel expenses. The cross-training program has additional unquantified savings to the state because the single largest customer of the CID's building inspection program is the public schools. The CID is planning to eventually qualify 23 cross-trained inspectors. The CID is also implementing new interactive permitting and inspection software that allows for electronic plan submission and review, thus streamlining and shortening the submission and review process. The RLD is actively encouraging local governments to provide their own building inspection programs to reduce the demands on the state's limited numbers of inspectors and provide faster service to customers. He noted that there has been some industry pushback on some of the CID's reforms, and he commented that the CID is not a construction protection entity, it is a building inspection program; issues like fraud and job abandonment are properly addressed in courts, not by the CID.

In response to a question by a member, Superintendent Unthank explained that the application of the "sunset rule" to the RLD means that each board or commission must justify its

continuation. The RLD is exploring the possibility of merging the Board of Osteopathic Medical Examiners and the New Mexico Medical Board, since they have very similar responsibilities. Similarly, he proposes merging the Board of Landscape Architects and the Board of Examiners for Architects. He also does not see the need for the Interior Design Board, since it does not issue licenses. A member commented that a constituent had asked for help in requiring licenses to practice interior design, and the member asked what the responsibilities of the Interior Design Board are if not to issue licenses. Superintendent Unthank replied that he had asked the Interior Design Board the same question and would inform the member when he receives a response.

A member asked if the RLD is fully staffed. Superintendent Unthank replied that the RLD has 304 authorized positions, 252 of which are filled, for an 82% staffing rate. He added that turnover is highest in the CID, Manufactured Housing Division, Financial Institutions Division and Securities Division, primarily because the RLD cannot match the salaries paid by local governments and the private sector, noting that regional local governments include Phoenix, El Paso and Midland-Odessa.

A member asked whether the RLD's professional licenses allowed for reciprocity with certifications issued by other states. Superintendent Unthank responded that reciprocity is best in construction professions; New Mexico has total reciprocity with 11 other states for journeyman electricians and is working on reciprocity for plumbers and mechanics. Nursing is another area where reciprocity is good. He commented that, although he is generally a fan of reciprocity, he is concerned that traveling nurses may not have a commitment to the community, so the nursing workforce is unstable if it relies on traveling nurses, and he said that he is encouraging the state's schools to expand their nursing schools so there are more nurses with roots in their communities to address shortages.

A member expressed concern that liquor licenses in rural areas are being sold and transferred to urban areas because their rural owners cannot afford to turn down the high prices offered for them, leaving rural areas without liquor sales and affecting the economies of small communities. The member commented that the price of liquor licenses should be controlled by the state, not by private markets.

A member asked if a permit is required to build wind turbines in New Mexico and mentioned problems coordinating with the military and the Federal Aviation Administration. Superintendent Unthank informed the committee that it depends on whether the manufacturing and operation takes place on state or federal land and what state or federal agency has jurisdiction of that land; there is no centralized system. The CID in theory has the authority to require permits not only for construction, but also for operation of wind turbines if the location is not under the jurisdiction of the Public Regulation Commission. He said that the situation is similar to that of cell phone towers, and the RLD is working on coordinating with other agencies.

A member commented that the RLD is not a construction protection agency, but the construction trades are licensed to protect consumers. The state has no liability for costs

incurred by consumers when work is slowed because licensed people are required to do it and inspectors are required and there are fees for inspections. The member summarized that if there is a problem, it is that the state has no liability; the member suggested random inspections instead of requiring inspections of every job.

A member raised the issue of licensure of real estate inspectors and suggested that the CID would be an appropriate agency to develop and oversee licenses. Superintendent Unthank responded that home "inspectors" are really an insurance program, not a code compliance program. He proposed that the home inspector convention came out of the real estate industry to buffer Realtors from being held liable for undisclosed problems such as leaky roofs.

Review of the Committee's 2015 Interim Work and 2016 Committee-Endorsed Legislation

Ms. Casebier provided the committee with the following high-level review of the committee's 2015 work, grouped under eight general categories, and the committee's 2016 endorsed legislation:

1. regulation, licensing and policy revisions:

- liquor control policy; and
- the New Mexico Broadband Task Force steering committee report;

2. taxes and financial incentives:

- proposed rural infrastructure tax credit and committee-endorsed House Bill (HB) 108;
- Los Alamos National Laboratory's and Sandia National Laboratories' Laboratory Partnership with Small Business Tax Credit Act; and
- United States Department of Agriculture Rural Development infrastructure financing programs;

3. business development resources and state-supported strategies:

- outreach and program development of the New Mexico Small Business Development Center;
- the Greater Gallup Economic Development Corporation updates;
- comprehensive economic development strategy for northwest New Mexico and the web portal designed for the New Mexico Association of Regional Councils to assist local governments with navigating state and federal funding opportunities; and
- presentation by business accelerator program Creative Startups;

4. infrastructure, utilities and basic needs in New Mexico communities:

- presentation by Public Service Company of New Mexico regarding utility infrastructure to meet New Mexico's future needs;
- programs to promote consumption of fresh and local fruits and vegetables: the New Mexico Department of Agriculture's "Double Up Food Bucks" and local fresh fruits and vegetables in the Albuquerque Public School District;
- the Four County Groundwater Initiative; and
- the Southwest New Mexico Council of Governments and the New Mexico Energy and Green Jobs Task Force;

5. workforce training, education and research:

- industrial hemp for research and development purposes and committee-endorsed HB 148;
- AerSale, an international after-market aircraft, engine, parts and service company in Roswell and Rio Rancho;
- programs at New Mexico State University to attain economic development through business incubation, workforce training, research institution collaboration and investment in technology intellectual property; and
- the University of New Mexico Center for High Technology Materials development of business and educational applications from optics and photonics research;

6. reports from executive agencies and political subdivisions:

- updates from the Tourism Department; New Mexico True campaign and tourism in Indian country; HB 15 appropriating funds to the Scenic Byways program;
- proposed legislation from the superintendent of insurance (SB 108) to create uniformity in provisions that govern licensing, supervision and enforcement;
- update from the Workforce Solutions Department on unemployment insurance;
- updates from the Economic Development Department regarding the Job Training Incentive Program and the Local Economic Development Act; updates on economic impacts of the film industry; discussion of New Mexico MainStreet and New Mexico Arts and Cultural District programs;
- updates from the Workers' Compensation Administration; and
- updates from the Cultural Affairs Department on the economic impact of creative economies;

7. additional topics relating to rural and economic development in the state:

- proposal from the Carlsbad Nuclear Task Force to develop an interim storage facility; and
- updates on the planning and intended outcomes of the Gallup Energy Logistics Park and Navajo Inland Port; and

8. previously proposed legislation that did not pass:

- SB 601 (2015) relating to revisions to the Oil Conservation Commission rules;
- amendments to the State Rules Act;
- SB 69 (2015) regarding in-state business purchasing preferences; and
- HB 261 (2015) amending the angel investment tax credit.

The committee additionally endorsed for the 2016 legislative session HB 150, which would have made an appropriation for boll weevil and pink bollworm monitoring, and HB 149, which intended to include compensation to landowners for the financial damages caused by big game from the Big Game Depredation Damage Fund. Neither bill made it out of house committees.

Discussion of the Work Plan and Meeting Schedule

The committee discussed the proposed interim meeting schedule. Representative Rodella moved, and Representative Wooley seconded, that the New Mexico Legislative Council be requested to authorize one additional meeting day on July 12 or 14, depending on which date has fewer conflicts for the most members; the motion passed unanimously.

The committee discussed meeting sites for the interim and agreed as follows:

- the July meeting will be in Grants;
- the August meeting will be a joint meeting with the Land Grant Committee in Las Vegas and Anton Chico;
- the September meeting will be in Roswell; and
- the October meeting will be in Las Cruces, contingent upon New Mexico Legislative Council approval.

The committee discussed the proposed work plan and the addition of the following topics:

- the Site Selectors Guild's criteria for corporation site selection;
- reevaluation of committee-endorsed legislation that did not pass in 2016;
- the Jobs Council's job-creation plan;
- public-private partnerships and the promotion of private investment in the state;
- the minimum wage;
- an update from the Public School Capital Outlay Oversight Task Force on broadband infrastructure in rural schools;
- workers' compensation;
- energy resources in general; the status of the oil and gas industry; and renewable energy;
- industrial hemp;
- lower Rio Grande water users, particularly in the Elephant Butte Irrigation District;

- liquor licenses; and
- the economic impact of the opioid epidemic.

Representative Rodella moved, and Senator Candelaria seconded, that the committee adopt the work plan and meeting locations as discussed; the motion passed.

Adjournment

There being no further business before the committee, the first meeting of the Economic and Rural Development Committee for the 2016 interim adjourned at 12:30 p.m.

Revised: July 11, 2016

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

**July 13, 2016
Cibola County Convention Center
Grants**

**July 14, 2016
Community Meeting Room
Milan**

Wednesday, July 13 — Cibola County Convention Center, Grants

- 9:00 a.m. **Call to Order — Introductions — Approval of Minutes**
—Representative Rick Little, Chair
- 9:15 a.m. (1) **Welcoming Remarks**
—Martin "Modey" Hicks, Mayor, City of Grants
- 9:45 a.m. (2) **The Energy Economy: Where We've Been and Where We're Going; Briefing — Mining: State and National Perspectives**
—David Catanach, Director, Oil Conservation Division, Energy, Minerals and Natural Resources Department (EMNRD)
—Louise Martinez, Director, Energy Conservation and Management Division, EMNRD
—James Smith, P.E., Coal Mine Reclamation Program Manager, Mining and Minerals Division, EMNRD
- 11:45 a.m. (3) **The Copper Flat Mine Project in Sierra County**
—Jeffrey Smith, P.E., Chief Operating Officer, THEMAC Resources Group, Ltd. — New Mexico Copper Corporation
- 12:45 p.m. **Working Lunch**
- 1:30 p.m. (4) **Status of and Need for Utility Infrastructure in Rural New Mexico**
—Terry Brunner, State Director, United States Department of Agriculture, Rural Development
- 2:30 p.m. (5) **Environmental Regulatory Impacts on the Energy Economy**
—Ryan C. Flynn, Secretary, Department of Environment

3:30 p.m. **Public Comment**

4:15 p.m. **Recess**

Thursday, July 14 — Community Meeting Room, Village of Milan

9:00 a.m. **Reconvene**
—Representative Rick Little, Chair

9:15 a.m. (6) **Coal Mining in New Mexico**
—Mitch Knapton, P.E., Operations Manager, Lee Ranch and El Segundo
Mines, Peabody Energy
—Steve Grey, Government and External Relations Director, Navajo
Transitional Energy Company, Navajo Mine

10:15 a.m. (7) **Briefing on the Partnership for Opportunity and Workforce and
Economic Revitalization (POWER) Initiative**
—David Hinkle, Program Manager, Northwest New Mexico Council of
Governments

11:15 a.m. **Public Comment**

11:30 a.m. **Depart for Tour of El Segundo Mine***
*This is an invitation-only tour for legislative committee members and staff.

4:00 p.m. **Return to Village of Milan and Adjourn**

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

**July 13-14, 2016
Grants
Village of Milan**

The second meeting of the Economic and Rural Development Committee was called to order by Representative Rick Little, chair, on July 13, 2016 at 9:11 a.m. at the Cibola County Convention Center in Grants.

Present

Rep. Rick Little, Chair
Sen. Jacob R. Candelaria (7/13)
Sen. Ron Griggs (7/13)
Rep. D. Wonda Johnson
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Bob Wooley (7/13)
Rep. John L. Zimmerman

Absent

Sen. Benny Shendo, Jr., Vice Chair
Sen. Richard C. Martinez
Sen. Michael Padilla
Rep. Patricia Roybal Caballero
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon (7/13)
Rep. Bealquin Bill Gomez (7/13)
Rep. Patricia A. Lundstrom (7/13)

Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. George Dodge, Jr.
Rep. Nora Espinoza
Rep. Jimmie C. Hall
Sen. Carroll H. Leavell
Sen. Mark Moores
Sen. Mary Kay Papen
Rep. Dennis J. Roch
Rep. Nick L. Salazar
Sen. William E. Sharer

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

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
Celia Ludi, Staff Attorney, LCS
Anna Martin, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Wednesday, July 13 — Cibola County Convention Center, Grants

Call to Order — Introductions

Representative Little welcomed members of the committee, staff and guests to the meeting. Committee members and staff introduced themselves.

Welcoming Remarks

Mayor Martin "Modey" Hicks welcomed the committee to Grants, expressed concern about the local economy and said the community needs help. He said that there had been 150 layoffs in the last month and a half from the only coal mine remaining, and he said that the population had dropped to 8,500 people from 18,500 when he was growing up in Grants. He also noted there are currently 22 empty buildings on Main Street. He said that paving the road to the top of Mount Taylor to provide better access for Native Americans for ceremonies, for tourists and for logging offers hope of some economic improvement, but more needs to be done.

The Energy Economy: Where We've Been and Where We're Going; Briefing — Mining: State and National Perspectives

David Catanach, director, Oil Conservation Division (OCD), Energy, Minerals and Natural Resources Department (EMNRD), referring to his handout, "An Update on Oil & Gas Status in New Mexico" at item (2), reviewed the OCD's duties and responsibilities and provided some background on the industry. He emphasized New Mexico's position as the nation's third-largest net energy supplier, which includes oil, natural gas, coal, solar and wind, and he noted that New Mexico oil and gas production is limited to 10 counties; the largest oil and gas producing areas are the San Juan Basin in the northwest corner of the state and the Permian Basin in the southeast corner. Mr. Catanach commented that the statistics presented in his handout are a little dated, but they are the best available. Referring to his handout, he noted that crude oil production had been steady since 1981 before dramatically increasing, beginning in 2012, and dropping again in 2015-2016. Natural gas production has seen more moderate changes, rising from 1991 to 1996 and maintaining fairly steady production until 2006, at which point it began declining until 2011; since 2011, it has remained relatively steady. Mr. Catanach stated that production of both oil and gas has dropped because the price has dropped precipitously. The rig count dropped dramatically between January 2015 and May 2016; there are currently 18 rigs in the Permian Basin and one or two in the San Juan Basin. Applications to drill have also dropped during that time period, but Mr. Catanach explained that there are still more applications than there are rigs because companies will file applications and stockpile them in readiness to reinstate production when and if the prices come back up. He said that producers have told him that if oil prices come back up to \$60.00 per barrel, it will be profitable again to produce oil. Mr.

Catanach reiterated the importance of the oil and gas industry to New Mexico's revenue and private-sector employment. He reviewed training opportunities for careers in the oil and gas industry at San Juan College in Farmington, New Mexico Junior College in Hobbs and the New Mexico Institute of Mining and Technology in Socorro.

Referring to slide 19, Mr. Catanach outlined the principles of a new New Mexico energy plan that will include all energy sources and will not promote specific technologies, with economic growth and creation of well-paying private sector jobs as its core value. He informed the committee that the entire 2015 New Mexico Energy Policy and Implementation Plan can be found online at <http://www.emnrd.state.nm.us/EnergyPolicy>.

Finally, Mr. Catanach informed the committee that the EMNRD formed a Gas Capture Committee in 2015 to develop plans to reduce flaring and venting of natural gas for all new drilling permits and well recompletions. In response to a committee member's question about whether the OCD had done a cost/benefit analysis of methane capture, Mr. Catanach said that a lot of flaring is necessary because the gas has too much nitrogen to be pipeline quality, but the OCD had not done a cost/benefit analysis, preferring to leave it to the industry.

A member remarked that the figure for oil and gas production value in McKinley County in slide 8 looked erroneous and requested Mr. Catanach to provide a corrected figure.

A member asked which counties had passed ordinances to ban oil and gas production. Mr. Catanach answered that Mora County had tried to ban hydraulic fracturing, but a court struck down the ordinance. He added that Santa Fe County has made it so difficult to get permits to drill in the Galisteo Basin that no drilling is taking place there.

A member referenced the incidence of earthquakes related to hydraulic fracturing in Ohio, Pennsylvania and Oklahoma and asked whether earthquakes had happened in New Mexico for that reason, specifically in Socorro County. Mr. Catanach replied that there has been some minor earthquake activity in Raton and Roswell, but, overall, New Mexico's geology is very different from Ohio's, Pennsylvania's and Oklahoma's. Regarding earthquakes in Socorro, that happens naturally because Socorro sits on a geologic fault.

A member commented that the federal Bureau of Land Management (BLM) is slow to permit construction of oil and gas pipelines across tribal lands. Mr. Catanach agreed, adding that the Gas Capture Committee has seen the BLM take one to two years to approve pipeline applications. He remarked that the state's ability to affect the BLM's process is limited.

A member asked how many new wells had been drilled on federal land in the past five years. Mr. Catanach replied that new wells in the last five years had been about 50-50 on federal and state land, and the BLM is also slow in processing drilling applications. He added that the BLM has, for environmental reasons, highly restrictive drilling rules in the Galisteo Basin in Santa Fe, on Otero Mesa in Otero County and in Sierra County, except for Mescalero.

A member asked whether new permit applications and drilling are down because of the market, i.e., the price of oil is down, and not because of burdensome regulations; Mr. Catanach confirmed that production and applications are down because the price is down.

A member reported observing rigs drilling in Texas just across the border from New Mexico and speculated that the rigs were drilling into New Mexico and that New Mexico is losing a lot of resources. Mr. Catanach replied that there is some drilling activity on the southern border with Texas, but it is illegal to drill horizontally under a state border and extract resources from another state; drillers are required to file and get approval of a map that shows exactly where they plan to drill. The member asserted that if Texas wells are producing and New Mexico wells are not, it must be because of New Mexico's more restrictive regulations because the price of oil is the same regardless of where it is drilled.

Louise Martinez, director, Energy Conservation and Management Division, EMNRD, referring to her handout, "The Energy Economy" at item (2), reviewed the 2015 New Mexico Energy Policy and Implementation Plan, "Seizing Our Potential: Creating a More Diverse Economy in New Mexico". She reiterated that the focus of the plan is to increase state revenue and the creation of private-sector jobs. Referring to slide 7, she noted that residential energy consumption is down even though new home construction is up because of federal and state tax incentives for energy-efficient homes. Slide 8 shows a savings of approximately \$2 million annually because of energy-efficient public buildings, with more savings expected as a greater number of public buildings are built or remodeled to be more energy efficient. Slide 10 shows dramatic increases in New Mexico residential solar installed capacity between 2009 and 2016, which Ms. Martinez attributed to federal and state solar tax credits. She informed the committee that the available state solar tax credits for 2016 were exhausted in June. Referring to slide 18, Ms. Martinez said that all of the energy industries, including oil and gas, renewables and coal and other mining, had been invited to participate in developing an "Energy Roadmap" to build on the 2015 New Mexico Energy Policy and Implementation Plan.

In response to a question by a member, Ms. Martinez said that the EMNRD received a federal grant in the last fiscal year to study the feasibility of adding small nuclear reactors to the New Mexico energy mix; she said a report should be issued within the next three months.

Responding to a member's question, Ms. Martinez clarified that the 2015 New Mexico Energy Policy and Implementation Plan is a state plan for science-based environmentally responsible economic development that is focused on helping New Mexico continue to be an energy exporter and to keep and increase the good jobs provided by the energy sector. She added that the EMNRD did use a federal "roadmap" because the state does not have the resources to develop its own.

James Smith, P.E., program manager, Coal Mine Reclamation Program (CMRP), Mining and Minerals Division (MMD), EMNRD, explained that the CMRP was created in the early 1980s as part of New Mexico's enactment of surface coal mine reclamation regulations under the

federal Surface Mining Control and Reclamation Act of 1977 (SMCRA). With a mandate to protect the public health and safety and the environment in and around surface coal mining operations, the CMRP permits, inspects and enforces laws applicable to coal mines on all federal, state and private lands within New Mexico, except tribal lands, in accordance with SMCRA regulations. Mr. Smith reported that coal production is up even though there are fewer mines and miners than in the past.

Mr. Smith said that a controversial current issue is self-bonding for coal mine reclamation. He explained that coal mine permits include a reclamation plan for approved post-mining land use and topography. The purpose of reclamation is to return the mined area to a condition that permits a beneficial use; in New Mexico, this usually means land is returned to grazing capability. The reclamation plan addresses replacement of topsoil, the type of vegetation (seed mix) needed to meet post-mining land uses and any special mitigation that may be needed to prevent toxic or acid-forming materials from mining from affecting the long-term viability of the final reclamation. If a permit application meets all other requirements, the operator must submit a bond that is based on a calculation of what it would cost the MMD to complete reclamation should the operator go out of business or not meet the requirements of the permit. The regulations specify that a bond adequate to carry out reclamation must be held for no less than 10 years after the last seeding is performed and that specific performance standards have been met based on the post-mining land use. Bonds are usually obtained from insurance agencies, but, in recent years, companies have proposed funding reclamation bonds themselves instead of through the financial markets. Mr. Smith said that there had been only one default on coal mine reclamation in New Mexico. He added that New Mexico is partnering with Colorado and Wyoming to develop modifications to reclamation bonds that would reduce the cost to the mining companies while still protecting the state's interest in not being left to pay for reclamation in the event of a default. One possibility is allowing companies to establish a trust account, with money that could be used to supplement a lower bond amount, if necessary, but that would be returned to the company upon satisfactory reclamation performance.

Mr. Smith remarked that another topic generating current interest is the pending Chapter 11 bankruptcy proceedings of Peabody Energy. He said that the Peabody mines in New Mexico will still be viable for at least 20 years and producing even though they have shed half their jobs, and reclamation is proceeding as required.

Mr. Smith informed the committee that the CMRP just received a \$1.3 million grant from the BLM for reclamation of abandoned uranium mines in New Mexico. He said that there are three current uranium mining permits in New Mexico, but permit holders are not currently planning to actively mine because there is no uranium mill in New Mexico. It takes six to eight years to build a mill once an application is approved, and there is no point to mining if there is no mill on site or close by. Fernando Martinez, director, MMD, EMNRD, added that the closest uranium mills are in Utah and Colorado and that potential uranium mine operators are getting the permits in place in case the price of uranium increases enough to make mining profitable.

Answering a committee member's question, Mr. Smith said that the amount of the surety bond is calculated based on estimates of the cost to return the disturbed area to its undisturbed state; it does not require a calculation of the economic effect in the surrounding communities of not mining or an estimate of the amount of usable coal that will be produced by mining.

In response to another committee member's question, Mr. Smith said that all of the coal mined in San Juan County is used at the Four Corners Generating Station power plant, and the coal mined at the El Segundo Mine in Cibola County goes to power plants in Arizona.

A committee member asked if the cost of mining was increased by the burden of meeting regulatory requirements. Mr. Martinez responded that it is hard to quantify the cost of regulatory compliance because the cost to produce varies from location to location, primarily because of the geology of each site, and from operator to operator, adding that operators closely guard information about their production costs. He added that New Mexico is the second-largest copper producer in the country now, and the copper mining industry is governed by the same regulations as the uranium industry, but the price of copper is higher than the price of uranium right now, so it is profitable to produce copper and not profitable to produce uranium.

Mr. Smith answered a member's question about the extent of New Mexico's coal reserves, explaining that the San Juan Basin has a huge supply that has been mapped, but the actual minable amount is unknown. He said that New Mexico is ranked ninth in the country in recoverable deposits and twelfth in production. The member asked why coal production is down, and Mr. Smith responded that the demand for coal-fired power is down because the price of natural gas has dropped, in large part because of the huge increase in production from hydraulic fracturing, so it is cheaper to produce power with natural gas than with coal.

A member asked how much of the reclamation work is done by New Mexico contractors, and Mr. Martinez replied that many mines use their own workers for reclamation work.

In response to a member's question, Mr. Smith explained that the severance tax on coal is measured per ton.

A member commented that it is unlikely that uranium mining will be viable again in New Mexico because it is easier and cheaper to mine higher-grade ore in other countries because of the geology of the uranium deposits.

A member asked how a mountain taken down for mining or for sand and gravel would be reclaimed. Mr. Martinez responded that any holes are filled for safety and to protect ground water supplies, and the flattened area is planted with native grass seed. He noted that the CMRP is only responsible for reclamation of mines, and sand and gravel operations are regulated by the counties in which they are located or by the federal government if the extraction operation is on federal land.

The Copper Flat Mine Project in Sierra County

Jeffrey Smith, P.E., chief operating officer, THEMAC Resources Group, Ltd.-New Mexico Copper Corporation, working through his handout at item (3), described the Copper Flat Mine Project in Sierra County in detail. He noted that the current price of copper is approximately \$2.15 per pound and compared it with the prices of molybdenum (\$10.00 per pound), gold (\$1,400 per ounce, or \$22,400 per pound) and silver (\$15.00 per ounce, or \$240 per pound). Jeffrey Smith explained that since there are only three operational copper smelters in the United States (one in Utah and two in Arizona), copper concentrate from the Copper Flat Mine Project will be shipped by rail to Guaymas, Mexico, and then overseas. Referring to slide 8, he told the committee that the concrete foundations for the old Quintana Mine, which were covered when the mine ceased production in the 1980s, were uncovered and inspected and will be repurposed for major structures at the Copper Flat Mine Project. Referring to slide 12, he noted that the current use of the land where the project is located is wildlife habitat and grazing, so reclamation will return the land to that purpose. Referring to slides 13 through 17, Jeffrey Smith explained the project's water use and water rights issues in detail. He concluded that the critical path for the project now is the completion of the federal and state permitting processes.

There was general discussion about projected salaries, availability of workers and housing for the project.

Status of and Need for Utility Infrastructure in Rural New Mexico

Terry Brunner, state director, United States Department of Agriculture (USDA) Rural Development, informed the committee that the USDA has a \$1.5 billion investment in New Mexico. Referring to his handouts at item (4), he reviewed USDA investments in New Mexico between 2009 and 2015. He reminded the committee that the USDA has money available for grants and 0% interest loans for infrastructure, not including things like highways and health care, and he noted the widespread need in the state for broadband capability and for water and wastewater projects. Mr. Brunner said that, every year, USDA money goes unspent because projects are not coordinated among the various agencies involved, and he suggested that a strategic infrastructure development plan be developed by bringing all interested parties to the table to determine and prioritize needs and identify funding sources and time lines.

Responding to questions from the committee regarding USDA funding of projects on tribal lands, Mr. Brunner explained that former U.S. Senator Jeff Bingaman had spearheaded the creation of a pool of dedicated USDA money to fund development and expansion of water and wastewater distribution systems on tribal lands; it is a national pool but, in fact, the money has only been used in New Mexico. This year's pool amount is \$24 million, which is doled out in grants of \$1 million to \$2 million per project; in places where a distribution system exists but the water itself is not owned by the tribe, the grants may be used to purchase water rights for the tribe. Mr. Brunner said that only certified Navajo chapter houses are eligible for the grants; if a chapter is not certified, the grant is managed by the Navajo Nation.

There was a discussion about the upcoming regionalization of mutual domestic water associations (MDWAs), and there was a consensus that it is important to inventory the existing MDWAs.

There was a discussion on the lack of a statewide infrastructure capital improvement plan and consensus that Legislative Finance Committee staff, state agencies, such as the Economic Development Department and the Department of Finance and Administration, and local governments need to work together to identify and prioritize infrastructure projects.

Environmental Regulatory Impacts on the Energy Economy

Butch Tongate, acting secretary, Department of Environment (NMED), working through his handout at item (5), related that a recent KPMG and Forbes survey of 400 U.S. chief executive officers across all major industries had revealed that "regulatory environment", i.e., all applicable regulations at both the federal and state levels, is the single greatest issue affecting their companies today; additionally, the survey found that consistency among the different regulators was the most important factor in whether the regulatory impact is positive or negative.

Michaelene Kyrala, director, Strategic Initiatives, NMED, briefly noted for the committee that the vast majority of regulations are set at the federal level in the Federal Code of Regulations but that the state has responsibility for enforcement of the air and surface and drinking water standards. Secretary Tongate said that the NMED's emphasis as a state regulator is to help companies comply with applicable regulations rather than punish them for noncompliance. He then referred to his handout to highlight two controversial environmental regulatory issues in New Mexico — copper and ozone. During a discussion of the copper rule, a member of the committee raised concern that New Mexico has some of the most stringent ground water regulations in the country. Secretary Tongate responded that ground water regulations are controlled by the states, and Mike Bowen, executive director of the New Mexico Mining Association, added that his members do not object to the copper rule, and, in fact, the rule will save the companies money because it will not change in five years and adds a level of certainty to their operations; he said that having to change operations to respond to regulatory changes is very expensive.

Motion

Representative Zimmerman made a motion, seconded by Representative Rodella, for the committee to approve the minutes from its June 3, 2016 meeting. The motion passed without opposition.

Public Comment

There was no public comment.

Recess

The committee recessed at 3:21 p.m.

Thursday, July 14 — Community Meeting Room, Village of Milan

Representative Little reconvened the committee and welcomed members of the committee, staff and guests to the meeting.

Coal Mining in New Mexico

Mitch Knapton, P.E., operations manager, Lee Ranch and El Segundo Mines, Peabody Energy, reviewed his handout at item (7). He updated the committee on the current status of the mines: Peabody Energy Corp., the country's largest mining company and the world's largest private coal company, went into Chapter 11 bankruptcy in April 2016 as a result of declining revenues from coal production. Mr. Knapton said that demand for coal has declined primarily because the price of natural gas has dropped so low that it is much cheaper to produce electricity from natural gas than from coal. As a result of the bankruptcy filing, El Segundo Mine has experienced a reduction in force, losing 127 jobs, which is 39% of its workforce; coal production has dropped to a projected 4.8 million tons in 2016 from 8.1 million tons in 2015.

Responding to questions from committee members, Mr. Knapton said that:

- El Segundo coal has a high British thermal unit (BTU) value, but it also has a high sulfur content, which requires coal-fired power plants to use "scrubbers" to remove the sulfur particulates produced when the coal is burned for electricity. El Segundo's biggest competitor is coal from the Powder River Basin in Wyoming; the Powder River coal also has a high BTU value, but it has less sulfur and is closer to the surface than the coal in El Segundo, so it is less expensive to extract. Accordingly, Powder River coal has an extraction cost advantage, but transporting the coal from Powder River is more expensive. El Segundo has a niche market to supply power plants in the Southwest based on its lower transportation costs. El Segundo coal is not shipped out of the country because there are no ports on the West Coast that ship coal, and it is too expensive to ship it to ports in Houston; the closest port is Guaymas, Mexico;
- the federal Clean Air Act restricts carbon emissions, which restriction results in an increase in power generation costs because the power plants need special equipment to reduce emissions of carbon and particulates; because of that, coal, which has higher emissions than other sources, is more expensive to use to generate power; and
- New Mexico's environmental regulations are some of the best in the country, from a coal mining perspective, and New Mexico's staff is the most reasonable to work with on compliance, in particular, regarding the reclamation and release of reclamation bonds. Reclamation around El Segundo Mine returns the land to grazing, so it requires seeding of native grasses; Peabody times the seeding process for the annual monsoon season, which the state regulators approve, but sometimes that season is later than the federal regulations prescribe, so the federal regulators want the company to seed before the rains, which is futile. Peabody does not object to seeding, but it is expensive, and it is frustrating to be required to seed at a time when it will be futile because the rains have not started yet. In addition, drainage ways are classified as

"ephemeral streams" until proven otherwise and, as streams, are subject to additional regulations.

Steve Grey, government and external relations director, Navajo Transitional Energy Company (NTEC), Navajo Mine, reviewed his handout at item (6). Mr. Grey explained that the NTEC is a corporation created by the Navajo Nation to keep jobs in the region, and in October 2013, the Navajo Nation, through the NTEC, became the natural owner of the Navajo Mine. Stating that being a stakeholder equals power, Mr. Grey said that the NTEC has plans to obtain a 7% ownership interest in the Four Corners power plant by July 2017. Through these operations, \$2.45 billion will be provided to the local economy. Referring to his handout, Mr. Grey reviewed with the committee the Navajo energy policy and challenges for the future.

Responding to questions from committee members, Mr. Grey said that NTEC operations still provide 800 jobs in the Navajo Nation, but that number will drop if coal production slows. The NTEC is in talks with Arizona Public Service Company and Bisti Fuels Company (a wholly owned subsidiary of North American Coal Company that is contracted to mine the Navajo Mine) to try to maximize production.

Briefing on the Partnership for Opportunity and Workforce and Economic Revitalization Initiative

David Hinkle, program manager, Northwest New Mexico Council of Governments (NWNMCOG), reviewed his handout at item (7), "Economic Diversification for Northwest New Mexico Funding Request for Regional Economic Development Programs". He particularly stressed that energy production used to be national and now it is global, but impacts in shifting resources are local; communities throughout northwest New Mexico are suffering the loss of well-paying jobs because of the global transition from coal to natural gas and other sources of electric power production, and those jobs will be extremely difficult to replace. For example, starting pay for new-hire truck drivers at the El Segundo Mine is \$30.00 per hour (\$62,400 per year). Mr. Hinkle said that the last five power plants that closed nationally were coal-fired, and the last five power plants built nationally are natural gas-fired; natural gas-fired plants only require half as many workers as coal-fired plants. He added that, while natural resources such as coal, oil and gas and uranium will always have value, extraction may not always be economically feasible. Under Mr. Hinkle's direction, the NWNMCOG contracted with an Oklahoma firm to perform a study of the current economic picture in San Juan, McKinley and Cibola counties and to make economic development recommendations. He said that all three counties have economic development plans, but they are underfunded; he remarked that the City of Amarillo, Texas, spends more on economic development than the entire State of New Mexico. Mr. Hinkle added that solutions are dependent on cooperation between local and state governments, and he was very complimentary about the current staff of the Economic Development Department, particularly the regional coordinator for the Gallup office of the northwest sector, Fred Shepherd.

Public Comment

Mr. Bowen noted that mines are not found up and down the Rio Grande Valley but, rather, are located in rural areas, so they are a major factor in rural economic development.

Robert Castillo, P.E., chief executive officer, Continental Divide Electric Cooperative (CDEC), informed the committee that the CDEC is exploring installation of a solar unit, but the price for solar-generated power has to be competitive with power generated from other natural resources. He noted that the government is currently subsidizing development of the solar power industry, which has to grow to make up for the subsidy when subsidies terminate. He also stated that price elasticity of the energy industry is something that the industry expects and knows how to deal with; special interest groups and permitting time lines are the primary impediments to the development of energy industry companies.

Senator Clemente Sanchez, speaking as a private citizen, made general comments about energy production and the effects on local economies of shifts in sources for power generation. He noted that, often, decisions of people who live in urban areas have profound impacts on those who live and make a livelihood in rural areas; and tribes are losing their culture because there are no jobs in the rural communities and people are increasingly moving to urban areas. Acknowledging this urban/rural divide, he urged all stakeholders to be included in the conversations about energy industry development.

Adjournment

There being no further business before the committee, the second meeting of the Economic and Rural Development Committee for the 2016 interim adjourned at 10:44 a.m.

Revised: August 1, 2016

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

**August 3-4, 2016
Barbara Hubbard Room
New Mexico State University (NMSU)
Las Cruces**

Wednesday, August 3

- 9:00 a.m. **Call to Order — Introductions**
—Representative Rick Little, Chair
- 9:15 a.m. (1) **Welcoming Remarks**
—Gregory Z. Smith, Mayor Pro Tem and District 2 Councilor, City of
Las Cruces
—Dan Howard, Executive Vice President and Provost, NMSU
- 9:45 a.m. (2) **Workers' Compensation: Historic Overview and the Perspectives of
Business, Workers and Insurance after Rodriguez**
—Darin Childers, Director, Workers' Compensation Administration
—James Magoffe, Chair, Advisory Council on Workers' Compensation
—Kevin McGinley, Vice Chair, Advisory Council on Workers'
Compensation
—Gail Evans, Legal Director, New Mexico Center on Law and Poverty
—Edward Tabet-Cubero, Executive Director, New Mexico Center on Law
and Poverty
—Mary Fowler, Manager, National Council on Compensation Insurance
—Caren Cowan, Executive Director, New Mexico Cattlegrowers'
Association
—Zach Riley, Director of Government Affairs, New Mexico Farm and
Livestock Bureau
- 11:45 a.m. (3) **Development of Health-Tech Industry Cluster at Arrowhead Park**
—Wayne Savage, Executive Director, Arrowhead Center, NMSU
—Kathryn Hansen, Director and Chief Executive Officer, Arrowhead
Center, NMSU
- 12:45 p.m. **Lunch**

- 1:30 p.m. (4) [Developing the Agritourism Industry in New Mexico](#)
—Jeff Witte, Director/Secretary, New Mexico Department of Agriculture
—Anna Lyles, Co-Owner, Mesilla Valley Maze
—Andrew Graves, Graves Farm and Garden
—Christopher Goblet, Executive Director, New Mexico Wine and Grape Growers Association
- 2:30 p.m. (5) [Water Needs and Concerns for Lower Rio Grande Users](#)
—Gary Esslinger, Manager, Elephant Butte Irrigation District
- 3:30 p.m. **Public Comment**
- 3:45 p.m. **Tour of NMSU Rural Drinking Water Research***
*This tour is by invitation only for legislative committee members and staff.
- 4:30 p.m. **Recess**

Thursday, August 4

- 9:00 a.m. **Reconvene**
—Representative Rick Little, Chair
- 9:10 a.m. (6) [Economic Development Initiatives of the South Central Council of Governments \(SCCOG\)](#)
—Jay Armijo, Executive Director, SCCOG
—Steve Duran, Workforce Administrator, SCCOG
—Tiffany Goolsby, Senior Planner, SCCOG
- 10:15 a.m. (7) [Rural Health Care Careers](#)
—Charlie Alfero, E.D., Executive Director, Southwest Center for Health Innovation; Director, New Mexico Primary Care Training Consortium
- 11:15 a.m. (8) [NMSU Corporate Engagement: Benefiting Students, Communities, Companies](#)
—Kevin Boberg, Ph.D., Vice President for Economic Development, NMSU
- 12:00 noon **Public Comment**
- 12:30 p.m. **Adjourn**

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

**August 3-4, 2016
Barbara Hubbard Room
New Mexico State University
Las Cruces**

The third meeting of the Economic and Rural Development Committee was called to order by Representative Rick Little, chair, on August 3, 2016 at 9:03 a.m. at the Barbara Hubbard Room at New Mexico State University (NMSU) in Las Cruces.

Present

Rep. Rick Little, Chair
Sen. Benny Shendo, Jr., Vice Chair
Sen. Jacob R. Candelaria (8/3)
Sen. Ron Griggs
Sen. Michael Padilla (8/3)
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Bob Wooley

Absent

Rep. D. Wonda Johnson
Sen. Richard C. Martinez
Rep. Patricia Roybal Caballero
Sen. Pat Woods
Rep. John L. Zimmerman

Advisory Members

Rep. Eliseo Lee Alcon
Sen. Craig W. Brandt (8/3)
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Rep. Jimmie C. Hall
Sen. Mary Kay Papen

Rep. George Dodge, Jr.
Rep. Nora Espinoza
Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Sen. Mark Moores
Rep. Dennis J. Roch
Rep. Nick L. Salazar
Sen. William E. Sharer

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

Guest Legislator

Rep. Patricio Ruiloba

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
Celia Ludi, Staff Attorney, LCS
Jeff Eaton, Fiscal Analyst, LCS
Anna Martin, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Wednesday, August 3**Call to Order — Introductions**

Representative Little welcomed members of the committee, staff and guests to the meeting. Committee members and staff introduced themselves.

Welcoming Remarks

Gregory Z. Smith, mayor pro tem and District 2 councillor, City of Las Cruces, welcomed the committee to Las Cruces and observed that Las Cruces does not have oil and gas, so its economy depends on other industries. He mentioned that the Las Cruces Downtown Tax Increment Development District is an important piece of the city's economic development plan, as are the arts, manufacturing and NMSU. He said that Las Cruces' excellent relationship with Mexico is integral to the local economy, citing the development of Santa Teresa as an example. Mr. Smith requested the committee's support for establishing a crime laboratory for the southern part of the state in Las Cruces, explaining that the crime laboratory would benefit the community in many ways: it would increase the ability to investigate crimes faster and less expensively; and it would also reduce the amount of time officers spend traveling to the crime laboratory in Santa Fe, keeping more officers on the street. He also opined that the Local Economic Development Act and other state-supported economic development initiatives help buffer and diversify the economy by providing jobs that give young people a reason to stay in New Mexico.

Dan Howard, executive vice president and provost, NMSU, noted that NMSU has been in the news recently because of its \$12.1 million budget cuts that include 126 faculty and staff positions; one academic program, the engineering surveying program; and one athletic program, the equestrian program. Referring to his handout at item (1), he said NMSU is facing a variety of challenges that are also being felt at institutions throughout the nation. Oil, gas and other state revenues are down 10 percent; national trends in college enrollment are down; New Mexico high school graduation rates are down; the state appropriations for higher learning are down by 2.4 percent; and the state's population is also decreasing, particularly among 15- to 19-year-olds — the university's target demographic — which is down 7.63 percent.

Mr. Howard described an open and transparent process used to make the budget-cutting decisions that involved numerous meetings with faculty, staff, students and the public. Eighty-nine of the positions cut are vacant, but 37 are filled and the employees will be transferred or laid off, the first layoff at NMSU since 1957, and administrative units took more cuts than academic units.

He said that the university is also looking at its administrative structure and organization, and it is in the process of reorganizing to reduce administrative costs long-term, in particular, by reducing layers of management to no more than three; by reducing fragmentation across the different colleges; and by reducing the number of vehicles owned by the school.

In addition, Mr. Howard said, NMSU has a strategic enrollment plan that includes a student pathway to move from community college to university and expands its internship and distance learning programs. Starting in the fall 2017 semester, NMSU will require first-year students to live on campus unless they are local students and live with their families. He said that the university is reviewing its missions and the use of all of its experimental stations, which may result in some closures, and it is developing its real estate and water assets. He added that NMSU that day had been notified that it is the recipient of a \$4.4 million grant from the United States Department of Agriculture (USDA), the largest in the USDA's history, to study the genetics of pecans.

Workers' Compensation: Historic Overview and the Perspectives of Business, Workers and Insurance after *Rodriguez*

Thomas E. Dow, executive deputy director, Workers' Compensation Administration (WCA), summarized the WCA's annual report for 2015, which is available on the WCA website, by saying that most workers receive benefits for which they are eligible without recourse to dispute resolution, and most employers are in compliance with the applicable law regarding workers' compensation. He said that the WCA's general approach to compliance is to help employers become and remain compliant, rather than punishing them when they are not. The WCA penalizes employers only as a last resort. He introduced Rachel Bayless, general counsel, WCA, and Trey Flynt, program manager, Employer Compliance Bureau, WCA.

In response to questions from committee members regarding the implications and application of the New Mexico Supreme Court ruling in *Rodriguez v. Brand West Dairy*, Mr. Dow said that the determination on whether a worker is an "employee" has 10 factors, which are set out in federal Internal Revenue Service guidelines, and he noted that the definition of an "employee" needs to be clarified in New Mexico law. He said that there have been many questions about the application of the decision and that the WCA has published "frequently asked questions" on its website; he added that the Supreme Court's decision applied to the individual plaintiffs, but otherwise was prospective only. The WCA is also advising employers of their responsibility to post the notices required by Section 52-1-29 NMSA 1978. He noted that determining an acceptable posting site is challenging for some employers because they do not have fixed worksites, for example, on construction sites.

Mary Fowler, manager, National Council on Compensation Insurance (NCCI), explained that the NCCI's core service in New Mexico is management of the residual market assigned risk pool, which offers specialized coverage not available in the voluntary market, albeit at the highest rates.

Kevin McGinley, vice chair, Advisory Council on Workers' Compensation (ACWC), said that the ACWC is composed of six members, three representing management and three representing labor. The ACWC chair, James Magoffee, is a union member and is also the safety officer for his company. Mr. McGinley said that workers' compensation was intended as a no-fault (as between employer and employee) mechanism to take care of injured workers and get them back to work, but replacement of wages lost due to injury has always been a gray area and is subject to a lot of litigation in New Mexico. Additionally, in recent years, subrogation of damages due to injuries caused by third parties has become an issue. For instance, in the situation where a truck full of workers on the job are injured when a third party causes a wreck, the workers are covered by workers' compensation, for which the employer pays, but the workers may also sue the third party to recover damages for their injuries. Mr. McGinley said that the ACWC is working on a bill draft that would give the worker the choice between suing the third party and receiving workers' compensation; possible models are laws in Minnesota and Arizona.

Committee members discussed other gray areas, including:

- the issue of workers who were injured on the job and received workers' compensation, then returned to work and were subsequently terminated for a reason or reasons unrelated to the injury, but are allowed to keep receiving workers' compensation benefits;
- treatment of public employees who are injured when they are close to retirement — overlapping workers' compensation and disability retirement benefits can result in a windfall for the worker;
- responsibility for cumulative injuries that develop over time, especially when workers work for multiple employers over that time;
- the status of workers who are supplied by labor contractors for casual or seasonal work; and
- the impact of the Supreme Court decision on family and friends who help each other occasionally during the year such as during harvest or branding time.

Edward Tabet-Cubero, executive director, New Mexico Center on Law and Poverty (NMCLP), noted that the New Mexico Supreme Court's decision in *Rodriguez v. Brand West Dairy* only applies to farm and ranch operations with more than three employees, which make up only 7.5 percent of all farms and ranches in New Mexico; the other 92.5 percent of farms and ranches have three or fewer employees. However, approximately 90 percent of all agricultural workers are employed by those 7.5 percent of farm and ranch operations, and about one-third have voluntarily covered their employees with workers' compensation insurance.

Gail Evans, legal director, NMCLP, provided the factual background of the *Rodriguez* and *Aguirre v. M.A. & Sons Chili Products* cases (which were consolidated at the appellate levels) and commented that for workers who do not have health insurance and/or workers' compensation coverage, an injury at work can put them into deep poverty. She contrasted benefits paid by liability insurance, which provides a flat \$5,000 and does not cover all health

care costs of injuries, with workers' compensation, which covers all health care costs and also provides replacement wages on a reduced schedule for the duration of the injury. Workers' compensation also provides lifetime medical benefits for workers who are disabled at work and never recover enough to go back to work; no other insurance scheme provides similar benefits. Ms. Evans applauded the WCA's outreach and education efforts to employers, encouraged more outreach to the workers themselves and agreed that New Mexico needs healthy agricultural workers.

Responding to committee members' questions, Ms. Evans:

- estimated that about 15,000 workers would be impacted by the *Rodriguez* decision — approximately 3,500 workers are employed in the dairy industry, and the remainder are field and ranch workers;
- said that the cost of workers' compensation coverage is based on quarterly payroll. Cost also varies depending on the type of operation, e.g., dairies, farms, ranches and whether coverage is purchased from the assigned risk pool or in the voluntary market. She observed that the agriculture payroll and cost of doing business is much lower than in other industries and that the issues facing farms and ranches are not dissimilar to all other industries that are required to carry workers' compensation insurance;
- said she had no information about the cost to taxpayers through Medicaid or other public assistance programs when workers are injured or disabled while working for an employer that does not have workers' compensation insurance;
- disclosed that of the two plaintiffs in the case, NMCLP and Mr. Rodriguez's employer are working out workers' compensation payments for his disability; M.A. & Sons Chili Products, the farm Ms. Aguirre was working on at the time of her injury, is arguing that she was not an employee but rather was employed by a labor contractor and that M.A. & Sons Chili Products should not be liable for her injury, although M.A. & Sons Chili Products is covered by workers' compensation and the labor contractor is not. Ms. Evans' takeaway from that situation, given *Rodriguez*, is that farmers who use labor contractors should make sure that if the farm does not have workers' compensation insurance, the labor contractor does;
- opined that the chances of either plaintiff recovering damages for the plaintiff's disabilities if the employer was sued would be nil, because both injuries were accidents and not the result of either intention or negligence of employers, which is the very situation workers' compensation was established to address; and
- stressed that farms and ranches do not have to have workers' compensation for family and friends who are helping out as long as they are not on the payroll, because workers' compensation does not apply to unpaid workers.

Caren Cowan, executive director, New Mexico Cattle Growers' Association, stated that workers' compensation coverage cannot be purchased by the quarter only for times when casual or seasonal workers are employed and that uncertainty remains around the classification of children and other family members who help out on a farm. She said that ranchers in the

assigned risk pool pay \$38.00 for every \$100 of payroll, which is a huge cost to a narrow-margin industry.

Zach Riley, director of government affairs, New Mexico Farm and Livestock Bureau, opined that the *Rodriguez* decision has left a number of uncertainties about the application of workers' compensation to farm and ranch operations. Noting that farmers are price takers, not price setters, and that many farms are operating with negative net income, he questioned where the money will come from for these employers to purchase workers' compensation insurance.

Development of Health-Tech Industry Cluster at Arrowhead Park

Wayne Savage, executive director, Arrowhead Center, NMSU, reviewed his handout at item (3). He stressed that the true impact of a health-tech industry cluster in the Arrowhead Center will be on the health and economy of the community. In answer to questions by committee members, Mr. Savage said that New Mexico is already rated highly in national comparisons in life sciences/biotech research innovation and that access to capital for development of health-tech innovations is crucial. He explained that, as a nonprofit organization, the Arrowhead Center is working on generating revenue to grow the businesses it supports as a way of reinvesting in the community.

Developing the Agritourism Industry in New Mexico

Jeff Witte, director/secretary, New Mexico Department of Agriculture (NMDA), informed the committee that there are at least 80 different agri-adventure and agritourism businesses in New Mexico, and the best way to learn about them is to hear from some of the business owners themselves.

Anna Lyles, co-owner, Mesilla Valley Maze, reviewed her handout at item (4). She related that the Mesilla Valley Maze was developed in 1999 as a single weekend educational project as an offshoot of a family commercial farm. In response to popular demand, it has grown over the years and now it is open a total of 80 days a year, with the fall season lasting 30 days. It has hosted students from 17 school districts, two states and two countries. Because of huge liability and insurance issues, the owners have split Mesilla Valley Maze off from the farm and made it its own limited liability corporation. Ms. Lyles said that even though education is the primary mission and the Mesilla Valley Maze does no advertising, the insurance companies classify it as an "amusement park", and its workers' compensation and liability insurance rates are calculated similar to that of Disneyland or Six Flags. She proposed that there is a need for legislation to lessen the liability burden for businesses such as pumpkin patches and "you-pick" gardens.

Andrew Graves, Graves Farm and Garden, reviewed his handout at item (4). He said that 15,000 people a year come to Graves Farm and Garden and any one of them could get hurt and sue him, so he has always carried liability insurance. He said his \$2 million liability policy costs \$45,000 per year. He supported Ms. Lyles' proposal.

Christopher Goblet, executive director, New Mexico Wine and Grape Growers Association (NMWGGA), told the committee that the NMWGGA has 50 members and is actively working to help many members develop tourism at their wineries, whether by offering tasting rooms, overnight accommodations or other hands-on experiences. NMWGGA members have registered with the "New Mexico True" campaign to participate in a "New Mexico TrueFest" over Labor Day weekend in Albuquerque. It is also working with grants from the NMDA and the USDA on marketing "Liquid Tourism", including tourism related to wineries, breweries, distilleries and coffee and tea shops. Mr. Goblet observed that wineries are rural, and breweries and distilleries are urban, so visitors are offered different experiences. He also noted that increased signage is needed to inform travelers of these agritourism opportunities.

David and Theresa Fisher, owners of Sombre Antigua Winery located on Highway 28 near Chamberino, New Mexico, described their business as the youngest and one of the smallest New Mexico wineries, with the oldest vineyard. They said their clientele comes primarily from the El Paso area and increases every year. The winery has two full-time employees and numerous part-time seasonal workers, and it produces 2,000 cases a year with the potential to quadruple.

Mr. Witte concluded that the NMDA is working with the Tourism Department on proposed legislation regarding agritourism liability, and he hopes to have it ready to present for consideration of endorsement at the committee's last meeting.

Water Needs and Concerns for Lower Rio Grande Users

Gary Esslinger, manager, Elephant Butte Irrigation District (EBID), reviewed his handout at item (5). He explained to the committee the 1938 Rio Grande Compact that requires the EBID to deliver water to Texas and Mexico and the issues that have arisen in the lawsuits filed over the terms of that compact and the subsequent 2008 operating agreement between the EBID and the El Paso County Water Improvement District. He discussed with the committee potential avenues of resolution to the lawsuit, including settlement negotiations, offsets by ground water users and the EBID's Depletion Reduction Offset Program that will allow municipal and industrial users to become Rio Grande project contractors and offset their impact on the Rio Grande surface supply by fallowing portions of their land. Emphasizing the dire nature of the water shortage at Elephant Butte Dam, which has a capacity of over two million acre-feet and is presently holding 100,000 acre-feet, Mr. Esslinger discussed water supply enhancement opportunities such as desalination of brackish ground water, development of the Central Palomas Basin, improvements to storm water management and river channel maintenance.

Public Comment

There was no public comment.

Tour of NMSU Rural Drinking Water Research Project

See handout at item (0).

Recess

After the tour of the NMSU Rural Drinking Water Research project, the committee recessed at 5:02 p.m.

Thursday, August 4

The committee reconvened at 9:04 a.m.

Economic Development Initiatives of the South Central Council of Governments (SCCOG)

Jay Armijo, executive director, SCCOG, related that the SCCOG is a regional planning body composed of local governments in Socorro, Sierra and Dona Ana counties. The SCCOG assists members with local and regional planning and development initiatives in the areas of infrastructure planning, economic development and workforce development. It provides varied services to members, including assistance with the Department of Finance and Administration's (DFA's) infrastructure capital improvement plan (ICIP) and community development block grant programs; legislative assistance with capital outlay requests; technical assistance and training; and transportation planning. The SCCOG is also a United States Economic Development Administration (USEDA) designated economic development district. Mr. Armijo said that there are three regional councils of governments funded with federal money distributed by the state through the DFA; each has its own economic development plan. The SCCOG's annual budget is \$1.1 million.

Steve Duran, workforce administrator, SCCOG, reviewing his handout at item (6), stressed that workforce development and economic development are related but not identical issues, and he discussed with the committee the key services provided by the SCCOG that support the needs of businesses and individuals and help New Mexico to become more competitive globally as well as across state lines. Key services include tuition assistance and supportive services, such as transportation, for students; on-the-job training for new and existing workers; reimbursement of costs for customized training required by an industry; and assistance to youth ages 14 through 24, who are both in school and out of school, to obtain basic education goals and pass the General Education Development Test. Mr. Duran summarized that the SCCOG's programs align the needs of job creation and job skills development to support businesses in the community.

Tiffany Goolsby, senior planner, SCCOG, reviewing her handouts at item (6), described the SCCOG's Comprehensive Economic Development Strategy (CEDS), which the SCCOG manages for the region. Key goals of the CEDS include reducing reliance on government employment by five percent by 2025 and increasing tourism by five percent by 2025.

Answering questions from committee members, Mr. Duran explained that there is no process for the SCCOG itself to use Job Training Incentive Program (JTIP) funds; instead, it complements JTIP, providing support for mid-level jobs in industries not eligible for JTIP. The SCCOG workforce development initiative provided services to 140 youth last year at an average

cost of \$3,000 to \$4,000 per individual. Mr. Armijo clarified that the CEDS is required by the USED A and uses ICIP information to identify different types of projects that can be included in the CEDS, e.g., water, wastewater and tourism.

Rural Health Care Careers

Charlie Alfero, E.D., executive director, Southwest Center for Health Innovation (SWCHI), and director, New Mexico Primary Care Training Consortium (NMPCTC), described the SWCHI's workforce development strategy to address access to and shortage of health care providers, particularly in rural areas. He emphasized that health care is important to economic development, particularly in rural areas, for two reasons: like convenient transportation, excellent schools and adequate housing, health care is an essential part of the infrastructure that supports other economic development and it is a vital piece of economic development in its own right because it provides well-paying jobs that cannot be outsourced.

Mr. Alfero began by briefly recounting the history of the SWCHI, starting with the establishment in 1995 of Hidalgo Medical Services (HMS) in Lordsburg. At the time, Hidalgo County was the last county in New Mexico with no access to basic health care services. HMS now serves upwards of 70 percent of the people of Hidalgo and Grant counties, which are New Mexico's two southwestern-most counties that contain one of the state's most isolated, frontier and traditionally underrepresented majority-minority populations.

Mr. Alfero related that one of the programs developed by HMS and now operated by SWCHI is FORWARD New Mexico Pathways to Health Careers (FORWARD NM), whose mission is to enhance access to quality health care, particularly primary and preventive care, by improving the supply and distribution of health care professionals through community and academic educational partnerships. Not only is there a current shortage of between 200 to 400 family practice physicians in New Mexico, 30 percent of family physicians currently practicing in the state are over 60 years old, which is the oldest cohort in the United States. The medical school at the University of New Mexico does not graduate enough physicians to fill the need even if all 120 yearly graduates stay in-state.

Referring to his handout at item (7), Mr. Alfero described a variety of workforce development programs of FORWARD NM that create a "pipeline" to help rural New Mexico communities to "grow their own" health care providers, thus allowing rural children the opportunity to live and serve in their own communities. Mr. Alfero said that there is great interest among medical students in the family practice residency opportunities offered in FORWARD NM's stage 3 (expand graduate and resident experiences for many health career disciplines in rural and underserved areas); last year it had 1,100 applicants for two positions. HMS only has capacity to train two to four residents in a year, but FORWARD NM shares the process with other residency programs in New Mexico to capture as many qualified applicants as possible. Currently, 10 HMS health care providers, including one certified nurse practitioner, one family nurse practitioner, three physician's assistants and five physicians, have passed through the FORWARD NM pipeline.

Mr. Alfero explained that FORWARD NM's experience in its stage 3 — and in national studies and local residency placement data that show that training and experience in primary care settings and the location of a primary care residency program also affect a person's decision to practice in those places — eventually led to the creation of the NMPCTC. After meeting informally since 1996, the NMPCTC was organized as a nonprofit organization in 2013. The NMPCTC partners with the University of New Mexico Medical School Family Medicine program and health care providers in Albuquerque, Farmington, Las Cruces, Roswell, Santa Fe and Silver City to provide family practice residencies to increase the number of health care professionals working in New Mexico.

John Andazola, M.D., board chair, NMPCTC, program director, Memorial Medical Center Southern New Mexico Family Medicine Residency Program, told the committee it is important to understand that the primary care residency programs directly address the shortage of primary care physicians in New Mexico. Training residents in New Mexico increases the likelihood that they will stay and practice in New Mexico, so it is urgent to continue and expand the NMPCTC's efforts, which are working. For example, in the case of the Memorial Medical Center Family Medicine Residency Program in Las Cruces, 67 percent of residents over the last 20 years have stayed in New Mexico. Mr. Alfero added that studies show that when there is a shortage of family practice physicians in an area, there are more referrals by lower-level health care providers such as nurse practitioners to physicians with other sub-specialties, thus increasing overall costs to the system and often resulting in a lack of care because many rural patients do not have transportation to access specialists in urban areas and it is expensive to travel.

Answering questions by the committee, Mr. Alfero explained that expanding the number of residency opportunities is a long process because each program must be accredited before it can recruit and accept applicants, and part of the accreditation process is meeting supervision requirements. Because the process is so involved, the NMPCTC is applying for accreditation itself so that individual practices do not have to undergo the process on their own. Dr. Andazola said that the NMPCTC does not work much with the Texas Tech School of Medicine in El Paso, despite the school's proximity to southern New Mexico, because of cross-state licensing issues; physicians from New Mexico can do residencies in Texas, but the relationship is not reciprocal, although the NMPCTC is working on reciprocity.

NMSU Corporate Engagement: Benefiting Students, Communities and Companies

Kevin Boberg, Ph.D., vice president for economic development, NMSU, referring to his handout at item (8), shared with the committee that NMSU's mission includes learning, scholarship and engagement with the community. While learning in the classroom is important, Mr. Boberg stressed that academic pathways need to be developed concurrently with career pathways, as academics prepares students for the next step of the academic ladder and, eventually, the workforce. From this intersection, Mr. Boberg described approaches to meld academic needs with economic needs and how universities and corporations can develop mutually beneficial relationships to share expertise and resources.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the third meeting of the Economic and Rural Development Committee for the 2016 interim adjourned at 11:41 a.m.

Revised: August 26, 2016

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

**September 1-2, 2016
Daniels Leadership Center
New Mexico Military Institute
Roswell**

Thursday, September 1

- 9:00 a.m. **Call to Order — Introduction of the Committee — Approval of Minutes**
—Representative Rick Little, Chair
- 9:15 a.m. (1) **Welcoming Remarks**
—Major General Jerry Grizzle, New Mexico Military Institute
—Dennis J. Kintigh, Mayor, City of Roswell
- 9:45 a.m. (2) **Economic Development Updates from Roswell and Chaves County**
—John Mulcahy, President and Chief Executive Officer (CEO), Roswell-
Chaves County Economic Development Corporation
- 10:45 a.m. (3) **Liquor Licensing Policy Revisions: State Perspective**
—Mary Kay Root, Director, Alcohol and Gaming Division, Regulation and
Licensing Department
- 11:45 a.m. **Lunch**
- 12:15 p.m. (4) **Liquor Licensing and Its Role in Economic Development**
—Mike Espiritu, President and CEO, Otero County Economic Development
Council and Alamogordo Chamber of Commerce
—Michael Bunt, Economic Development Director, Greater Artesia
Development Corporation
—John Waters, Executive Director, Carlsbad Department of Development
- 1:15 p.m. (5) **Liquor Licensing Policy Revisions: Industry Perspective**
—Carol Wight, CEO, New Mexico Restaurant Association
—Maurice Bonal, Liquor License Broker
—Ruben Baca, Lobbyist, New Mexico Grocers Association
—John Thompson, Lobbyist, Alcoholic Beverage Wholesalers
—Jerry Walker, President and CEO, Independent Community Bankers
Association of New Mexico

3:15 p.m. (6) [Building a Smarter Energy Infrastructure](#)
—Sayuri Yamada, Director of New Mexico Governmental Affairs, Public Service Company of New Mexico (PNM)
—Matthew Jaramillo, Federal and State Government Affairs, PNM

4:15 p.m. **Public Comment**

4:30 p.m. **Tour of Walker Air Force Base***
*This tour is invitation-only for legislative committee members and staff.

5:30 p.m. **Recess**

Friday, September 2

9:00 a.m. **Reconvene**
—Representative Rick Little, Chair

9:15 a.m. (7) [MainStreets Program Successes in Clovis and Lovington](#)
—Lisa Pellegrino-Spear, President, New Mexico Coalition of MainStreet Communities

10:00 a.m. (8) [Improving Access to Dental Care](#)
—Dr. Thomas Schripsema, New Mexico Dental Association
—Catherine Sovereign, Board President, New Mexico Dental Hygienists' Association
—Colin Baillio, Director of Policy and Communications, Health Action New Mexico

11:00 a.m. (9) [Industrial Hemp](#)
—Representative Bealquin Bill Gomez
—Doug Fine, Journalist and Author
—Lew Seebinger, Founder, Seebinger Hemp (invited)

12:00 noon **Public Comment**

12:30 p.m. **Adjourn**

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

**September 1-2, 2016
Roswell**

The fourth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Rick Little, chair, on September 1, 2016 at 9:05 a.m. in the Daniels Leadership Center at New Mexico Military Institute (NMMI) in Roswell.

Present

Rep. Rick Little, Chair
Sen. Benny Shendo, Jr., Vice Chair (9/1)
Sen. Jacob R. Candelaria
Sen. Ron Griggs
Sen. Michael Padilla (9/2)
Sen. John Pinto (9/2)
Rep. Debbie A. Rodella
Rep. Bob Wooley
Rep. John L. Zimmerman

Absent

Rep. D. Wonda Johnson
Sen. Richard C. Martinez
Rep. Patricia Roybal Caballero
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon
Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Sen. Mark Moores (9/1)
Sen. Mary Kay Papen
Rep. Dennis J. Roch (9/2)

Rep. George Dodge, Jr.
Rep. Nora Espinoza
Rep. Jimmie C. Hall
Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Rep. Nick L. Salazar
Sen. William E. Sharer

Designated Attendees

Sen. Ted Barela (9/1)
Rep. David M. Gallegos (9/1)
Sen. Howie C. Morales (9/1)

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

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
Celia Ludi, Staff Attorney, LCS
Jeff Eaton, Fiscal Analyst, LCS
Anna Martin, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Thursday, September 1**Call to Order and Introductions**

Representative Little welcomed members of the committee, staff and guests to the meeting.

Welcoming Remarks

Major General Jerry Grizzle, president/superintendent, NMMI, welcomed the committee to NMMI, which, he noted, is 125 years old.

Dennis J. Kintigh, mayor, City of Roswell, highlighted the city's "Clean and Safe" program, which offers property owners free disposal of materials from the demolition of derelict structures, including houses, commercial buildings, storage sheds or any other structures that have become eyesores and pose safety hazards. Mayor Kintigh said that approximately 100 structures have been torn down since the program started three years ago. He asserted that dilapidated buildings not only detract from the aesthetics of the community, they also create a danger to adventurous and curious children, or anyone else who may wander into or around them, and the buildings also become locations for criminal activity. Removing these types of structures positively impacts the community by making it cleaner, nicer looking and safer. Mayor Kintigh said that crime also negatively impacts economic development by hurting recruitment efforts. He said the other big deterrent to effective economic development is the need for tort reform; businesses need to be assured that they are protected from frivolous litigation.

Referring to his handout at Item (2), Mayor Kintigh related that the Roswell International Air Center (RIAC) is a unique asset that has the potential to diversify the entire state economy. The RIAC was developed after Walker Air Force Base was decommissioned in 1967, and ownership of the land, buildings and facilities was transferred to the City of Roswell. The facilities include the largest smooth runway in the United States as well as hangars that are currently leased to eight aviation service companies, several education and training programs, aircraft testing facilities and five government facilities. Mayor Kintigh said that although the RIAC offers great opportunities for economic development that will diversify the entire state economy, the investment required to fully exploit those opportunities is more than a small rural city can come up with on its own. Mayor Kintigh opined that state investment, even in a year of desperate budget constraints, would return multiples of the investment both to the city and to the state's General Fund in a short time.

Economic Development Updates from Roswell and Chaves County

John Mulcahy, president and chief executive officer (CEO), Roswell-Chaves County Economic Development Corporation, informed the committee that the RIAC is worth about \$2 billion a year and offers 1,000 jobs that pay between \$40,000 and \$50,000 a year, drawing employees from throughout the state — particularly the southeast area. It is a huge state asset, and the City of Roswell needs the state to help with maintenance costs to ensure that it remains a viable piece of the statewide economic development picture. At present, the roof leaks in the hangar leased by Dean Baldwin Painting, LP, and the city is working on finding funding sources to repair it.

Referring to the handout at Item (2), Mr. Mulcahy explained the parameters of the commercial aircraft maintenance, repair and overhaul (MRO) industry, which is, at present, a \$67 billion global industry and is forecast to be a \$100 billion industry by 2025. Commercial airlines prefer to outsource MRO so that the airlines can focus on their core business of commercial air transport. The Federal Aviation Administration, for security reasons, prefers that MRO be performed in the United States rather than being outsourced to other countries. The RIAC is already established as an important MRO hub and needs support to grow to meet the demands of an industry that is growing globally. At present, American Airlines is taking ownership of two new jets a week, and many are coming to Roswell for testing and preparation prior to being put into service. Mr. Mulcahy showed a YouTube video of American Airlines landing 20 MD-80s in one day at the RIAC.

Mr. Mulcahy said that the RIAC needs to expand to meet the needs of a changing air transport industry; in particular, it needs more and larger hangars that can accommodate newer and larger aircraft and more storage capacity, in addition to general upkeep of the existing facilities. In particular, the RIAC needs \$10 million to build a new hangar and to repair the roof of the existing hangar currently leased to Dean Baldwin Painting, LP. He noted that the need for additional storage is because the New Mexico storage facilities are full due to the fact that New Mexico does not charge an inventory tax on aircraft stored in the state and, therefore, storage here is less expensive. Texas, for example, charges a three percent inventory tax on stored aircraft. Mr. Mulcahy suggested that enactment of a similar inventory tax, or a tax that is slightly lower than Texas's, could bring in enough revenue to fund the necessary maintenance, repairs and expansion.

Mr. Mulcahy also addressed jobs at the RIAC, noting that the jobs in the aircraft MRO industry are highly skilled and well-paid, with good benefits. He said that it takes about 14 months to learn the basic skills for a trade that pays \$50,000 or more a year, plus benefits. He contrasted that to the average state income of \$26,000 a year. Well-paying jobs are essential to healthy, growing communities because they support other businesses from housing to leisure.

David Mantay, general manager, Dean Baldwin Painting, LP, referring to the handout at Item (2), told the committee that Dean Baldwin Painting is a 50-year-old business that employs 200 people and grosses \$15 million to \$20 million annually; it is the largest aircraft painting

company in the country. Dean Baldwin Painting paints 175 to 200 large commercial and private aircraft a year and is currently booked two years out. It needs more and larger hangars to be able to expand its operations, and the longer it takes to get the additional space, the more business it will lose to other states and companies that offer similar services. Right now, there is not a hangar at the RIAC that will accommodate a wide-body jet, such as a Boeing 747, but more and more jets are being built. Every new plane that goes somewhere else to be prepared to be put into service will continue to be serviced elsewhere. Mr. Mantay said that Dean Baldwin Painting just opened an expansion plant in Indiana and would like to come back to New Mexico for additional expansion. He strongly urged the legislature to become an active partner with the private sector to allow for expansion of the aircraft MRO industry in New Mexico.

Mr. Mulcahy said he met with Secretary of Economic Development Jon Barela to discuss availability of Local Economic Development Act (LEDA) funding for repair and expansion of hangars at the RIAC, but the 90/10 rule is an obstacle because the City of Roswell would be required to put up \$2.5 million for its share, and the city does not have the money. In addition, the LEDA is designed for private start-ups, but the RIAC is an existing city-owned enterprise. He noted that the 90/10 requirement is not statutory but, rather, is a guideline issued by the Economic Development Department.

Answering questions from the committee, Mr. Mantay said aircraft need to be repainted every three to five years, depending on corrosion, and Dean Baldwin Painting paints new aircraft for both Boeing and Airbus. Mr. Mulcahy added that a hangar needs to be very large to accommodate a wide-body aircraft such as a Boeing 747.

Mayor Kintigh, answering a committee member's question as to whether the City of Roswell has considered a local tax similar to the tax for Spaceport America, said that he does not believe a city can tax itself into prosperity and the state should share the cost. He added that the RIAC should be thought of as infrastructure, similar to roads and bridges. A committee member asked if the city and county have imposed all or any portion of the local option allowed for gross receipts tax. Mayor Kintigh replied that the county has, but the city has not. He added that fiscal year (FY) 2016 revenues were 16 percent lower than FY 2015, and the FY 2017 budget assumes less revenue than FY 2016. The city has not increased taxes but has reduced the number of city employees from more than 600 to 540 by freezing hiring, except for police, fire and sanitation workers. He said the city would rather grow its way out of its fiscal situation than tax its way out, but it needs state help because the income tax generated by the good jobs in the area goes into state, not city, coffers.

A committee member suggested that capital outlay funding might be available, and Mayor Kintigh affirmed that he has been working with the Legislative Finance Committee on a capital outlay request, although he expressed reservations about the year-long lead time between the time the request is submitted and the time the money is available.

New Horizons Foundation, Driving Innovation Throughout the Permian Basin

Dale Ganaway, executive director, New Horizons Foundation (NHF), informed the committee that the NHF was created in 2011 by New Mexico Junior College and the Lea County Commission to provide access to technology-based economic opportunities in southeastern New Mexico as an approach to diversifying the economy in southeastern New Mexico and reducing its economic reliance on the oil and gas industry. The federal Department of Defense (DOD) has 200 laboratories nationwide, and the NHF has signed a cooperative research and development agreement and a partnership intermediary agreement with the DOD under which the NHF pays reasonable fees to the DOD in return for unprecedented access to federal laboratories to identify, license and commercialize proven technologies from the federal laboratories into private industry. The NHF sponsors visits to DOD laboratories, where NHF clients may identify suitable DOD technologies for start-ups or access technologies that will expand and diversify new or existing business capabilities.

Liquor Licensing Policy Revisions; State Perspectives

Mary Kay Root, director, Alcohol and Gaming Division (AGD), Regulation and Licensing Department, explained the issue of "quota" licenses, i.e., dispenser's and retailer's licenses that are limited by population and location. She noted that the limitations on the licenses, combined with the ability to transfer them to qualified buyers, have had the consequence of creating a private market for the sale and lease of the licenses, especially dispenser's licenses, and have resulted in private valuations of the licenses far in excess of the actual fees charged by the division.

She stated that there are currently 1,411 "quota" licenses in New Mexico. Dispenser's licenses allow the sale of alcohol both by the drink and in unbroken packages; retailer's licenses allow only the sale of alcohol in unbroken packages. There are only 71 retailer's licenses, and, because of their scarcity, are some of the most highly valued licenses in the private market. All license transfer and sales price information is available on the AGD's website.

Because of the very high private sale costs of dispenser's and retailer's licenses, in most cases, individual would-be bar or restaurant owners cannot afford a dispenser's license. Most recent sales of dispenser's or retailer's licenses have been to large national chain stores, some of which, like CVS or Wal-Mart, sell only unbroken packages, and others, like hotels and restaurants, sell only by the drink. The result is that some communities in New Mexico now have few or no businesses where the public may purchase alcohol by the drink, except for restaurants that have restaurant ("beer and wine") licenses. She noted that a restaurant with a restaurant license cannot serve spirits, so it cannot offer margaritas or dessert coffees such as Irish coffee; restaurants are also required to show that at least 60 percent of gross revenues derive from the sale of food and no more than 40 percent from the sale of alcohol.

Ms. Root listed other types of liquor licenses that allow certain alcohol manufacturers to sell their products by the drink and in packages to the public, including:

- craft distilleries;
- winegrowers; and
- small brewers.

Ms. Root observed that the economic impact of the alcohol industry goes beyond the sale of alcohol to the public and that New Mexico has an opportunity to capitalize on support industries, such as:

- contract farming to grow wheat, barley and hops for beer and distilled spirits, as well as apples for cider and grapes for wine;
- middle products producers, e.g., a business that buys apples or grapes from the farmers, processes the fruit into juice and sells the juice to distillers or vintners;
- malting houses for grain;
- mobile canning and bottling operations; and
- beer-tap cleaning services.

Ms. Root said that the AGD's priority initiative was to get legislation passed that would allow staggered license renewals. This legislation passed in 2015 and is working well. Before the staggered renewal dates, the division was overwhelmed every year in June when all licenses came up for renewal, and it had to authorize overtime for regular employees and hire additional temporary workers to process all of the applications. Now, with the staggered renewal dates, the workload is evenly distributed throughout the year and no overtime or additional temporary employees are necessary. The AGD is working on creating an online renewal system to further streamline the renewal process, and it is also working on the first comprehensive review of the rules since 2006. On an ongoing basis, the AGD works with the Special Investigations Unit (SIU) of the New Mexico State Police Division of the Department of Public Safety to ensure that the SIU agents tasked with enforcement of the Liquor Control Act have the most current information; and the AGD works with licensees to encourage compliance, rather than punishment for noncompliance. She added that the AGD, with 12 full-time employees, brings in \$4 million in revenues, but its operating budget is under \$1 million, making it a net revenue producer for the state.

In response to a request by a committee member, Ms. Root provided a printout of a list on the AGD's website of the quota liquor licenses in New Mexico by local option district; she noted that the information is on the AGD's website and changes daily.

Answering questions from committee members, Ms. Root explained the dispenser's license limitations in more detail. She said the number of dispenser's licenses in a given community is limited, first, by population in the local option district; and second, by limitations on transfers into or within the local option district, including limitations enacted by the local option district itself. The issue is further complicated by the statute that allows transfers of licenses between local option districts, which also provides that, when a dispenser's license is transferred from one local option district to another, the ability to sell unbroken packages is lost

and the license becomes a by-the-drink-only license. A dispenser's license that is purchased and remains in the same local option district is the most flexible, because the buyer can sell either by the drink or by the package or both. Local option districts may also vote not to allow licenses to be transferred into the district, further limiting available licenses and increasing the private market value of licenses in that district. Dona Ana County is one local option district that has voted not to allow licenses to be transferred in. Ms. Root said there are 128 different local option districts, each with its own rules. Two counties, Curry and Roosevelt, have voted to be "dry", i.e., not to allow alcohol sales at all.

In addition, she noted, the population limitation itself is also an issue because New Mexico as a whole is losing population. New Mexico currently has more licenses than are strictly allowed by the population; the state population would have to be more than 2.8 million to add one new license. There are no provisions for withdrawing licenses once they are issued if the population drops.

Ms. Root further explained that a dispenser's license may be temporarily used at another unlicensed location within its local option district by obtaining a special dispenser's permit (sometimes referred to as a "picnic license"). When a special dispenser's permit is issued, liquor may only be sold on the designated premises and only during the designated times. Special dispenser's permits are usually used for special events such as a festival.

In answer to questions about other kinds of licenses allowing sales by the drink, Ms. Root said that governmental licenses may be obtained for sales or service by the drink for consumption on the premises on specific premises only. Universities, for example, may obtain several governmental licenses for different venues on their campuses, such as different sporting stadiums or arenas. Governmental licenses are not transferable. Certain clubs may also obtain non-transferable licenses for sales or service by the drink for consumption on the premises on specific premises only. The state fair, golf courses and ski areas may also obtain special licenses for sales or service by the drink for consumption on the premises on specific premises only. Ms. Root said that last year, governmental licenses increased by seven and club licenses decreased by two; there were 11 new small brewer's licenses and 10 new small brewer's off-site licenses.

Committee members asked about the recommendations of the Liquor Control Act Task Force. Ms. Root said that the task force's recommendations were presented to the committee, which then formed a working group to consider them, and it was ultimately decided that only consensus recommendations would be proposed.

Liquor Licensing and Its Role in Economic Development

Mike Espiritu, president and CEO, Otero County Economic Development Council and Alamogordo Chamber of Commerce, said that the high cost of obtaining a dispenser's license has a negative economic impact on the greater community because local restaurants can get a restaurant (beer and wine) license but cannot compete with big national chain restaurants for the

dispenser's licenses that would allow, for instance, a restaurant to offer a margarita with an enchilada. Some possible solutions include:

- to allow splitting a dispenser's license when the license is transferred out of the local option district so that by-the-drink sales continue to be allowed in the original local option district;
- to require the license to revert to the state 10 years after purchase, and then it can be sold again; and
- to increase the number of licenses allowable.

Michael Bunt, economic development director, Greater Artesia Development Corporation, told the committee that it is very hard to put economic development deals together that involve liquor licenses because the licenses are so expensive and the prices vary so wildly. For example, he said, he was involved in a commercial real estate development project for a retail center that would be anchored by a restaurant with a full bar. A dispenser's license that could be transferred to Artesia was offered for sale for \$750,000. The seller refused to reduce the price, and the development project cratered because of the cost of the liquor license. Mr. Blunt said that the same license was subsequently sold for \$450,000 and transferred to Albuquerque. He suggested that another option to address the issue would be to impose a \$.25-per-drink tax on sales by the drink and to use the money generated to buy back the licenses. He said something needs to be done because the issue disproportionately affects rural areas versus urban areas and also puts New Mexico at a disadvantage in comparison to surrounding states.

John Waters, executive director, Carlsbad Department of Development, concurred with Mr. Espiritu's and Mr. Bunt's comments. He said that a national franchise restaurant with a full bar business model was looking at locating in Las Cruces, but the liquor license would have been \$750,000. The restaurant located in El Paso instead, where the Texas liquor license is \$1,500 a year. People in the Carlsbad area take their entertainment dollars to Lubbock, Midland and El Paso because of the lack of entertainment options in New Mexico. Mr. Waters added that the population limitation is also a problem because it is too dependent on the federal decennial census. Carlsbad has many more people than the census shows because many oil field workers live in Carlsbad five days a week, but their family homes may be in Texas, so they are counted in Texas. Carlsbad also has a lot of tourists. Mr. Waters said the actual population can be more accurately estimated by reference to water usage instead of the census. Mr. Waters acknowledged that the owners of the licenses have an investment in the licenses, but he said their interests need to be balanced with the interests of the communities as a whole.

Liquor Licensing Policy Revisions: Industry Perspective

Carol Wight, CEO, New Mexico Restaurant Association (NMRA), told the committee that she was in attendance primarily to answer questions rather than make a presentation but that the liquor license issue is a "box of Pandoras" that needs to be opened. She said that the NMRA has 4,000 members, many of whom would very much like the opportunity to offer spirits by the drink as well as beer and wine.

Maurice Bonal, liquor license owner and broker, asserted that liquor license quotas do not create a monopoly because the owners of the licenses are individuals who have worked hard to buy the licenses and pay the banks back and who work hard to keep the licenses. He said the licenses are a giant asset that are personal property for which the owners must be compensated if the state in any way acts to reduce or eliminate their value. He added that there would be a huge chain reaction of affected owners and lessees who are business owners and employers if the value of the licenses just goes away. His offered solution to the situation where there are not enough licenses is for the state to buy back the existing licenses at fair market value and establish a new licensing scheme. He noted that in McKinley County, the Navajo Nation is exploring purchasing all of the licenses and holding them.

Mr. Bonal referred to himself as the historian of liquor licenses because his family has owned licenses for decades and he has been involved in revisions to statutes and rules during that time. He said that the reason the laws have been amended to allow transfer of licenses between local option districts is because the small business owners in rural areas cannot make enough money and want to be able to sell their licenses to bigger owners in cities. He provided a handout, available at Item (5).

Ruben Baca, lobbyist, New Mexico Grocers Association and Petroleum Producers Association, clarified that the trade organization he represents is primarily made up of gas station convenience stores. Most of the members have retailer's licenses, but some have dispenser's licenses that were transferred within the local option district. The members are concerned about any change the state might make that would reduce the value of their licenses.

John Thompson, lobbyist, Alcoholic Beverage Wholesalers, referring to his handout at Item (5), strongly supports a three-tier system of licensing that separates manufacturers (tier 1); wholesalers, importers and distributors (tier 2); and retail outlets like liquor stores, bars or restaurants (tier 3).

Jerry Walker, president and CEO, Independent Community Bankers Association of New Mexico (ICBA/NM), introduced Greg Marrs, chairman and CEO, First American Bank, and Jon Hitchcock, president and CEO, Pioneer Bank. Mr. Walker said that the ICBA/NM does not have a position on the issuance of liquor licenses but that the ICBA/NM has surveyed its 41 New Mexico-headquartered members to find out more about the use of liquor licenses as the subject of or collateral for loans. Referring to his handout at Item (5), he informed the committee that 21 of the 25 respondents said that they make commercial loans to retail liquor establishments or restaurants that serve alcohol, and of those, only one does not accept the liquor license as collateral. Twelve of 20 banks had issued loans of over \$500,000, one had issued a \$5.5 million loan, and seven banks had issued loans between \$100,000 and \$500,000 that were collateralized by liquor licenses. If more licenses were issued, banks expect that the stated values of the existing licenses that are used for collateral would be diminished, possibly leading to bank regulators "classifying" those loans, i.e., requiring additional protections to ensure repayment and enacting stricter underwriting standards. However, 17 of the 24 respondents said they would

consider making loans to liquor retailers based solely on the strength and character of the principal(s), along with consideration of the furniture, fixtures and property, if liquor licenses were not viable collateral. Fifteen of 23 respondents favor increasing the number of retail liquor licenses in their market areas.

Responding to a question by a committee member about the feasibility of a new license that would allow sales of products only made in New Mexico, Mr. Bonal stated that the more licenses of any kind there are, the less each individual license is worth. He affirmed that he would oppose any proposed legislation that would increase the number of licenses.

A committee member noted that the liquor licenses have appreciated in the private market and wondered if they also depreciate. Mr. Bonal responded that owners can depreciate the licenses on tax returns, but many, himself included, do not depreciate them for tax purposes. He also asserted that even when a license is fully depreciated for tax purposes, when the license is sold, the full value is recaptured for purposes of setting a sale price.

A committee member asked how bankers value a liquor license for collateral purposes. Mr. Marrs answered that they are valued similar to real estate by using comparable sales.

A committee member asked if the NMRA has a position on the issue of availability of dispenser's licenses. Ms. Wight responded that the NMRA does not and commented that the solution may be to open restaurant licenses to allow the sale of distilled spirits as well as beer and wine. She observed that, in 1981, a statute was passed to buy back dispenser's licenses over 10 years, but that statute was found unconstitutional. Mr. Bonal added that the 1981 statute also changed the law to permit interlocal transfers; restaurant licenses were created the same year. Answering a committee member's question, Ms. Wight said there are currently approximately 600 restaurant licenses.

Approval of Minutes

The committee approved the minutes of the July 13-14, 2016 and August 3-4, 2016 meetings with no amendments or objections.

Building a Smarter Energy Infrastructure

Sayuri Yamada, director of New Mexico governmental affairs, Public Service Company of New Mexico (PNM), introduced Matthew Jaramillo, federal and state government affairs, PNM. Mr. Jaramillo, referring to his handout at Item (6), said that the current rooftop solar installations feed electricity back into the grid, but PNM's metering is still mechanical, providing manual metering and progressive rates. Some customers have been upgraded to electronic meters, but the smart meters that work best with solar rooftop installations have not been installed anywhere. Mr. Jaramillo warned that the growth of the solar leasing business in New Mexico has raised a number of consumer protection concerns. He explained that a customer who leases solar equipment often unknowingly deals with up to four different companies: the marketer, the seller, the financier and the installer; and each company disclaims responsibility for

the others' performance. He also emphasized that unless a solar customer is completely disconnected from the grid, the customer remains a PNM customer and would always have a PNM bill in some amount, regardless of the promises of the solar marketers. He said that in some situations, payments to the solar providers for electricity are higher than PNM's bills, and customer savings over time flatten out instead of continuing to increase. Some other customer protection concerns include: over-building for the application, i.e., installing more collectors than are necessary for the size of the building; damage to roofs and other parts of the building; and dangerous, improper installations. Mr. Jaramillo proposed a working group or task force that includes representatives of the solar industry, utilities, Office of the Attorney General, Realtors, contractors and insurance companies to develop proposals to create some standard consumer protections for solar customers. He noted that PNM is receiving 50 to 100 applications a week for solar installations and cannot process them fast enough. Answering a committee member's question, he said that no state regulators have jurisdiction over solar installers, so the only remedy for damages caused by defective or improper installations is to sue the contractor. He informed the committee that PNM is working on a proposal for legislation to address consumer protection concerns.

Public Comment

There was no public comment.

Recess

The committee recessed at 3:30 p.m. for a tour of the Dean Baldwin Painting, LP, aircraft painting facility at the RIAC (formerly Walker Air Force Base).

Friday, September 2

Call to Order — Introductions

The committee reconvened at 9:05 a.m., and Representative Little welcomed members of the committee, staff and guests to the meeting. Committee members and staff introduced themselves.

MainStreet Program Successes in Clovis and Lovington

Lisa Pellegrino-Spear, president, New Mexico Coalition of MainStreet Communities, provided an overview of the New Mexico MainStreet programs, which are downtown and historic district revitalization programs in 27 communities. The programs are funded by a combination of private and public investments. The Economic Development Department's New Mexico MainStreet Program works throughout the state to help affiliated organizations create an economically viable business environment that retains local cultural and historic resources. Since the program began in 1985, the private sector has invested \$43.16 for every \$1.00 of public money invested in MainStreet programs. Reviewing her handout at Item (7), "NMMS District Stats FY16", Ms. Pellegrino-Spear highlighted the 18 business expansions and 142 net number of new businesses resulting from MainStreet investments.

Tabatha Lawson, executive director, Lovington MainStreet, informed the committee that the technical advice services provided by the New Mexico MainStreet Program associates to Lovington MainStreet have included consultations with associates for:

- urban design and planning for locating a new judicial complex;
- promotions for rebranding, including a new website, social media platforms and a variety of print materials;
- economic vitality to coordinate and host a business planning workshop; and
- design assistance to develop architectural renderings for a new locally owned brew pub.

Ms. Lawson said New Mexico MainStreet also helped Lovington MainStreet use LEDA funds to acquire and refurbish the historic Lea Theatre, which now shows movies every weekend and employs one full-time manager and eight part-time staff members.

Ms. Pellegrino-Spear related that New Mexico MainStreet helped Clovis MainStreet acquire and renovate the Hotel Clovis by leveraging federal and state funds to turn the historic hotel into apartments, which, with others, now offers 123 apartments in downtown Clovis, giving Clovis a truly livable downtown. The hotel, which is listed on state and national historic registers, sat vacant for nearly 30 years. Another Clovis project, under way now with capital outlay funding and the assistance of New Mexico MainStreet, is the railroad park, which serves as the entry to the downtown and historic railroad district and includes a museum. Additional grant funding through the Department of Transportation has allowed Clovis to improve pedestrian rights of way with new wheelchair-accessible sidewalks for three continuous blocks downtown. She emphasized that investment in revitalizing Clovis's downtown has helped to create a climate of confidence for private business and property owners and that Clovis has 99 new businesses and 247 net jobs as a result.

Ms. Pellegrino-Spear asserted that, in these tough economic times, investing in communities through MainStreet technical assistance and capital outlay funding is more important than ever. She said that, because of budget cuts in fiscal year 2017, there is currently not adequate funding to sustain or add new MainStreet America communities; to sustain existing or add new state-authorized start-up arts and cultural district communities; or to sustain or add new frontier community initiatives. She requested that the legislature restore \$350,000 that was cut from the New Mexico MainStreet operation budget for FY 2017 so that Bernalillo, Questa, Ruidoso and Taos can be brought into the MainStreet accelerator program; eight frontier communities can be added; and eight historic theaters can be renovated. In addition, she requested \$5 million in state funding for public infrastructure in MainStreet communities such as sidewalks, drainage and night lighting. She referred to her handout at Item (7), "Public Infrastructure Projects, FY 17-19", for a list of the projects. She said that all projects on the list are shovel-ready and are necessary to repair and improve aging and deteriorating public infrastructures in many rural downtowns.

Improving Access to Dental Care

Colin Baillio, director of policy and communications, Health Action New Mexico, thanked Dr. Thomas Schripsema, New Mexico Dental Association (NMDA), and Catherine Sovereign, board president, New Mexico Dental Hygienists' Association, for the role they played in finding common ground on the issue of dental therapists. He began by providing background information on the topic. Thirty-two of 33 New Mexico counties are federally recognized dental health professional shortage areas, with rural areas being disproportionately impacted by dental professional shortages. He said the federal Centers for Disease Control and Prevention recently found that nearly 53 percent of New Mexicans have advanced gum disease — the highest level in the nation. According to Department of Health data, one in three third-graders in New Mexico has untreated dental disease. Data collected by New Mexico Health Resources show that three out of four available dental hygienist positions go unfilled because of the lack of qualified dental hygienists. He told two anecdotes illustrating the economic impact of the shortage of dental professionals. A woman who had never seen a dentist until she was in her twenties said she had difficulty finding a job because her teeth were in such bad shape; she said that a lot of potential employers assume that she is an addict because of the way her teeth look, even though she had never used drugs. The other anecdote was about a seventh-grader who dropped out of school because every tooth in his mouth was rotting, and he was failing because he was in such intense pain. When adults and children have untreated dental disease, Mr. Baillio said, they miss work and school, causing immediate and long-term impacts on the economy.

One component of a multifaceted response to the issue of the shortage of dental professionals in New Mexico is the licensure of dental therapists, Mr. Baillio continued. Dental therapists provide basic preventive and restorative care, freeing dentists to provide more complex procedures. Minnesota, Maine and Vermont all license dental therapists, and many other states are considering licensing dental therapists as well. Tribes in Alaska have used dental therapists for years, and tribes in Washington and Oregon have recently hired dental therapists. Dental therapists can have a positive impact on both the health of New Mexicans, particularly in rural areas, and on the economy as a whole. If New Mexico establishes training programs in its community colleges before other states do, New Mexico could be a hub for training dental therapists from across the country. Santa Fe Community College, Southwestern Indian Polytechnic Institute, Western New Mexico University, Northern New Mexico College and Eastern New Mexico University have all expressed interest in establishing dental therapist training programs.

Ms. Sovereign, referring to her handout at Item (8), "Improving Access to Dental Care", said that the NMDA and the New Mexico Dental Hygienists' Association supported Senate Bill 217 and House Bill 191 (both in 2016) that would have improved access to dental care by:

- creating an Access to Dental Care Subcommittee in the Legislative Finance Committee;
- requiring a school entry dental exam;
- requiring the state dental director to be a dental professional; and
- creating a license for dental therapists.

The bills did not receive a governor's message in the 2016 session, but the groups plan to introduce them again in the 2017 session.

Dr. Schripsema reviewed his handouts at Item (8), "Health Care Workforce Committee Report" and "NMDA Report". He highlighted the recommendations that students have a dental exam prior to entering school and that the Department of Health dental programs be headed by a dental professional. He stated that although data show that there is not a shortage of dentists in New Mexico, and that in fact there is an overall oversupply, dentists are concentrated in urban areas where they can earn enough money in their practices to pay back huge student loans, leaving rural areas underserved. For that reason, and because the NMDA's concerns regarding training, practice and supervision of dental therapists have been addressed, the NMDA supports the creation of a license for dental therapists in New Mexico.

There was general discussion about the application of the various provisions of the bills, and a committee member noted that the fiscal impact reports for the bills included significant issues regarding training and scope of practice of dental therapists.

Industrial Hemp

Representative Gomez introduced Doug Fine, journalist, author and farmer, who began by demonstrating a number of products made from industrial hemp. Mr. Fine told the committee that he raises goats in New Mexico and industrial hemp in Vermont; the industrial hemp farm pays for the New Mexico goat farm.

Mr. Fine explained that industrial hemp and marijuana are separate subspecies of the cannabis family. All cannabis plants contain unique compounds called cannabinoids. Research has revealed more than 60 different cannabinoids so far, but tetrahydrocannabinol (THC) is the most well-known and is credited with causing the marijuana high. The primary difference between hemp and marijuana is that, while marijuana plants contain high levels of THC, hemp contains very little of the psychoactive chemical.

Mr. Fine related that Section 7606 of the federal 2014 Farm Bill [Agricultural Act of 2014, formerly the "Federal Agriculture Reform and Risk Management Act of 2013", which authorizes nutrition and agriculture programs in the United States for 2014-2018] defines industrial hemp as "the plant *Cannabis sativa* L. and any part of such plant, whether growing or not, with a delta-9 tetrahydrocannabinol [THC] concentration of not more than 0.3 percent on a dry weight basis", and authorizes institutions of higher education or state departments of agriculture in states that legalize hemp cultivation to conduct research and "agricultural pilot programs" that "study the growth, cultivation, or marketing of industrial hemp". Sales and marketing of hemp raw materials are therefore allowed under the research and pilot programs authorized in Section 7606, and Mr. Fine said that 31 states now allow the cultivation of industrial hemp for food, fibers, fabric, building material, batteries, biomass for energy production, plastic and nutraceuticals, with no problems with federal laws or regulators. According to Mr. Fine, hemp cultivation and products are a \$1 billion industry in Canada.

Representative Gomez related that, according to the Colorado Department of Agriculture, there are 275 hemp growers in Colorado. To ensure that THC levels are within the acceptable range, growers pay for state inspectors to test the crops for THC levels before the harvest. Colorado hemp growers are making \$25,000 to \$50,000 per acre. Representative Gomez noted that in New Mexico, hemp can be imported to make products, and he asserted that New Mexicans should be able to grow it as well. He said that industrial hemp is ideal for cultivation in New Mexico because it grows fast, uses less water (half as much as wheat and one-fourth as much as alfalfa) and is more valuable than any other crop. He recounted that the 2015 Industrial Hemp Farming Act [Senate Bill 94] passed with large majorities in both chambers but was vetoed by the governor; in 2016, two versions of the bill were introduced, but neither passed. He plans to reintroduce the bill in 2017. A committee member recalled that the governor had three main objections to the bill: that it conflicted with federal law, that the similarity in appearance between industrial hemp and marijuana would make it difficult for law enforcement operations against marijuana and that the bill would allow commercial production of industrial hemp. Jerry Fuentes, co-owner of BioRegional Strategies, observed that other states have enacted regulations that satisfactorily distinguish industrial hemp from marijuana and urged the New Mexico Legislature to pass the bill again.

Answering committee members' questions, Mr. Fine said that the growing season for industrial hemp is 110 days and that in southern New Mexico, two crops a year could be raised. He said that Canada has allowed both industrial hemp and marijuana cultivation for 20 years and has had no cases of confusion between the crops.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the fourth meeting of the ERDC for the 2016 interim adjourned at 12:11 p.m.

Revised: October 7, 2016

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

**October 11-12, 2016
Anton Chico
New Mexico Highlands University, Las Vegas**

Tuesday, October 11 — Joint Meeting with Land Grant Committee at Anton Chico

- 10:00 a.m. **Call to Order/Introductions**
—Senator Jacob R. Candelaria, Chair, Land Grant Committee
—Representative Rick Little, Chair, Economic and Rural Development
Committee (ERDC)
- 10:30 a.m. (1) **Anton Chico Land Grant-Merced: Status, Opportunities and Goals**
—Stoney Jaramillo, President, Anton Chico Land Grant-Merced
—Roberto Mondragon, Board Member, Anton Chico Land Grant-Merced
- 11:30 a.m. (2) **Economic Development Opportunities in Anton Chico: Frontier
Community Designation, Quarry Status and Developing Agricultural
Cooperative**
—Nick Maestas, Chair, Anton Chico Economic Development
- 12:30 p.m. **Lunch**
- 1:30 p.m. (3) **State Resources Available for Rural Development and Case Examples**
—Mark Roper, Leader, Community, Business and Rural Development
Team, Economic Development Department (EDD)
—Tim Hagaman, Regional Representative, Land Grant and Acequia
Liaison, Community, Business and Rural Development Team, EDD
- 2:30 p.m. (4) **Attracting Film Production: Opportunities and Requirements:**
• **Creating a Location Inventory and One-Stop Shop Permitting**
• **Creating a Local Vendor Listing and Network**
—Don Gray, Contract Locations Coordinator, New Mexico Film Office
—Annette Velarde, Director, Community Development, City of Las Vegas
—Vanessa Marquez, Film Liaison, City of Las Vegas
—Christopher Madrid, Director, Economic Development Department, Rio
Arriba County
—Tomás Sanchez, Chief Executive Officer, Sanchez Films LLC

4:00 p.m. (5) [Development of a Business Plan for the Piedra Lumbre Visitor Center Location — Brief Status Update](#)
—Arturo Archuleta, Staff, Land Grant Council
—Leonard Martinez, President, Land Grant Consejo

4:10 p.m. **Public Comment**

4:40 p.m. **Recess**

Wednesday, October 12 — New Mexico Highlands University, Las Vegas

9:00 a.m. **Call to Order — Introductions — Approval of Minutes**
—Representative Rick Little, Chair, ERDC

9:10 a.m. (6) [Welcome and Opening Remarks](#)
—Tonita Gurule-Giron, Mayor, City of Las Vegas (invited)
—Dr. Carol Linder, Interim Provost, New Mexico Highlands University (invited)

9:45 a.m. (7) [Acequias: Updates and Legislative Priorities](#)
—Paula Garcia, Executive Director, New Mexico Acequia Association

10:45 a.m. (8) [El Valle Women's Collaborative \(EVWC\)](#)
—Yvonne Sandoval, Executive Director, EVWC

11:45 a.m. **Lunch**

12:15 p.m. (9) [Economic Development Opportunities at Fort Bayard](#)
—Richard Bauch, Mayor, Village of Santa Clara

1:15 p.m. (10) [Rural Redevelopment Tools Through MainStreet](#)
—Rich Williams, Director, New Mexico MainStreet, Economic Development Department

2:15 p.m. (11) [Updates on the Jobs Council's Job-Creation Plan](#)
—Mark Lautman, Certified Economic Developer, Lautman Economic Architecture, LLC

3:15 p.m. **Public Comment**

3:30 p.m. **Adjourn**

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

**October 11-12, 2016
Anton Chico
New Mexico Highlands University, Las Vegas**

The first day of the fifth meeting of the Economic and Rural Development Committee (ERDC), which was held as a joint meeting with the Land Grant Committee (LGC), was called to order by Representative Rick Little, chair of the ERDC, and Representative Sarah Maestas Barnes, vice chair of the LGC, on October 11, 2016 at 10:14 a.m. at the Anton Chico Economic Development Center in Anton Chico.

Present

Rep. Rick Little, Chair
Sen. Jacob R. Candelaria (10/11)
Sen. Ron Griggs (10/11)
Sen. Richard C. Martinez
Sen. Michael Padilla
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Patricia Roybal Caballero
Rep. Bob Wooley
Rep. John L. Zimmerman

Absent

Sen. Benny Shendo, Jr., Vice Chair
Rep. D. Wonda Johnson
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon
Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. George Dodge, Jr. (10/11)
Rep. Bealquin Bill Gomez

Rep. Nora Espinoza
Rep. Jimmie C. Hall
Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Sen. Mark Moores
Sen. Mary Kay Papen
Rep. Dennis J. Roch
Rep. Nick L. Salazar
Sen. William E. Sharer

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

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)

Celia Ludi, Staff Attorney, LCS

Jeff Eaton, Fiscal Analyst, LCS

Anna Martin, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Tuesday, October 11 — Anton Chico Economic Development Center, Anton Chico

Introductions

Representatives Maestas Barnes and Little invited the members, staff and audience to introduce themselves. Former Lieutenant Governor Roberto Mondragón, board member of the Anton Chico Land Grant-Merced, introduced Luis Sanchez, father of John Sanchez, the current lieutenant governor; La Loma Clinica Director Lore Pease; and American Legion Post Commander Evaristo Maestas, all of whom welcomed committee members.

Anton Chico Land Grant-Merced: Status, Opportunities and Goals

Stoney Jaramillo, president, Anton Chico Land Grant-Merced, thanked committee members for the opportunity to host the meeting. As background on Anton Chico, Mr. Mondragón introduced the written work of Malcolm Ebright, a historian of New Mexico land grants. Mr. Mondragón noted that New Mexico was originally part of Spain until Mexico gained independence from Spain in 1821. Although 1821 is recognized as the end of Mexico's war of independence, historians mark September 16, 1810 as Mexico's founding day. On that day, Father Miguel Hidalgo y Costilla issued a declaration of independence known as "El Grito de Dolores". For the next 38 years, New Mexico was part of Mexico. On February 2, 1848, the Treaty of Guadalupe Hidalgo concluded a war between the United States and Mexico and transferred much of the American Southwest, including New Mexico, to the United States.

Mr. Mondragón said that the people of the land grants believed that the ownership of the land was protected by the Treaty of Guadalupe Hidalgo, but it was not. Mr. Mondragón then described the original boundaries of the Anton Chico Land Grant-Merced, which stretched from the Bernal mesa on its northwest corner to nearly Santa Rosa on its southeast corner — about 384,000 acres.

Mr. Sanchez described the upper northwest corner of the Anton Chico Land Grant-Merced, where a small community was established at one of the better fords on the Pecos River. This area is referred to as the "El Viandante". It was used by the United States Army when it occupied New Mexico, and it was an access point to Bosque Redondo and Fort Sumner. There

are still stone ruins at the site. Max Sisneros, who lives in the colonias community of Anton Chico, then described the rural and ranching-based aspect of his area.

Responding to a question from a committee member, Mr. Mondragón said that the Anton Chico Land Grant-Merced is current with its compliance under the Audit Act. He said that the land grant is a tier 2 entity and had completed the required "agreed upon procedures", at a cost of around \$2,000 per year.

Arturo Archuleta, staff for the Land Grant Council, spoke about ongoing efforts to engage the U.S. Forest Service regarding former land grant common lands that are now under U.S. Forest Service jurisdiction. He said that a Freedom of Information Act request was recently submitted to the U.S. Forest Service's southwest regional office to aid in determining prior land grant "use agreements" regarding these lands.

In closing, Mr. Mondragón led the committee in the singing "Las Mañanitas" to celebrate Mr. Sanchez's eighty-ninth birthday.

Economic Development Opportunities in Anton Chico: Frontier Community Designation, Quarry Status and Developing Agricultural Cooperative

Nick Maestas, chair, Anton Chico Economic Development (ACED), said the mission of ACED is to stimulate the Anton Chico area economy and develop the use of local resources. He said funding for ACED started with a \$1,000 donation from Mr. Mondragón. Since then, the Singleton Foundation has contributed \$54,000. The ACED facility used to be a school run by the Santa Rosa Consolidated School District. When the district decided to build a new elementary and middle school facility, the Anton Chico Land Grant-Merced exchanged 10 acres of land for the old building. Several local banks and the Plateau Telecommunications company have also contributed toward the improvement of the building.

Mr. Maestas said that ACED had discussions with Martinez & Sons Processing, a meat processing company in Las Vegas, regarding taking over that business, but the business facility is being held by a bank for unpaid debts. He said that ACED is also establishing a cooperative network to create secondary markets for farm products; finding and securing equipment; and organizing the selling of products and natural resources, such as wood and rock. He said ACED currently is seeking assistance to:

- develop a business plan;
- enter the world of e-commerce;
- access the state data centers to help complete grant applications; and
- improve the energy efficiency of the ACED facility.

In the ensuing discussion, Mr. Maestas said that ACED has 30 rooms or spaces that could be used by businesses. The facility includes a kitchen, a gym, two areas that could be used as call centers and a computer laboratory with 40 work stations. It was noted that a feed store located at

ACED is already doing business there. A member recommended that ACED also promote the computer laboratory as a location for "solo work" entrepreneurs.

Speaking about opportunities outside the ACED facility, Mr. Maestas said that a few producers are quarrying the local stone, but many residents are unable to extract and market the stone. With regard to beef production in the area, Mr. Maestas estimated that there may be as many as 75 producers, but he did not have an estimate for the number of cattle in the area. Committee members suggested that ACED look into including coordinated production of flagstone and range-fed meats as part of a comprehensive business plan for Anton Chico. A member noted that legislation to allow hemp production is expected to be debated in the 2017 legislative session, and if successful, legal hemp production could be a lucrative crop for farmers in Anton Chico.

The discussion then turned to growth challenges facing Anton Chico. Mr. Maestas cited the need for adequate housing and local retail shopping, including a particular need for a gas station. Responding to a question about local water rights, Mr. Maestas said that west Pecos acequia water rights had been transferred by the state engineer to the hills across and above the Pecos River for watering elk habitat. He said that this upstream pumping out of the Pecos River is affecting wells used by the land grant. Mr. Maestas said that the community is appealing the state engineer's decision and has raised concerns that:

- 1) notice of the transfer was only published in Santa Fe and Las Vegas, but the notice was not published in Anton Chico and downstream communities; and
- 2) the Anton Chico water rights are very old and possibly senior to the transferred rights.

Committee members then asked about whether, and how, Anton Chico is working with the state and neighboring communities on economic development. Tim Hagaman, regional representative, land grant and acequia liaison, Community, Business and Rural Development Team of the Economic Development Department (EDD), informed committee members that an economic development master plan for the surrounding seven-county region had recently been completed. He said that the land grant had participated in that process. In further explanation, Mr. Sisneros indicated that the land grant's participation in the regional effort had affected the development of ACED itself.

Committee members then entered into a general discussion about the availability of Local Economic Development Act (LEDA) and Job Training Incentive Program (JTIP) funding for projects in smaller communities. A committee member asked if the EDD had developed a list of rural and non-rural projects being considered for funding, and Mark Roper, leader, Community, Business and Rural Development Team, EDD, said he would provide that information to the committee members. Mr. Hagaman noted that LEDA funding is used to cover gaps in overall capital needed for projects. He said that the Ghost Ranch Education and Retreat Center is a good model project. That project had participation from land grants and the U.S. Forest Service, Mr. Hagaman said.

Asked about some of the limits and restrictions in state programs, Mr. Roper said that under JTIP funding guidelines, a "frontier community" is any community with fewer than 15,000 people. He said that a company is eligible for multiple years of JTIP funding; provided that it continues to grow and add new employees. Regarding potential LEDA funding for retail store project investments, Mr. Roper said that the targeting limit for those funds has been lowered to communities with 10,000 or fewer residents.

A member raised a question about what role the cultural and historical context of a community plays in creating an economic development plan for it. Mr. Hagaman said that the EDD's primary mission is economic development, but it is really up to each community to decide what it wants to become. He used Mora's effort to reopen its theater as an example. Mora planners held a collaborative design and planning event so residents could discuss the project directly with the architects and marketers. He said a similar process is under way regarding the theater in Santa Rosa. In each case, community members are deciding as a group whether the end result will be the same as it has always been or something new.

Asked what the next steps would be to follow up on the Martinez meat packing plant, Mr. Roper said that the EDD and the Anton Chico Land Grant-Merced need to look at what the best options are for that facility and then work with the bank. He said that the EDD does not currently have funding to help, but can assist in identifying funding sources and in completing grant applications.

Asked about improving the broader statewide economic environment, Mr. Roper said that with its tax and incentive programs, New Mexico is currently is very competitive with Texas. He felt that staying competitive with neighboring states is important to the New Mexico's long-term economic health. A member asked the EDD to bring data on surrounding states to a future committee meeting.

ERDC Motion

On motion made and seconded, the ERDC approved the minutes from its September 1-2, 2016 meeting without objection.

Attracting Film Production: Opportunities and Requirements

Don Gray, contract locations coordinator, New Mexico Film Office, and Christopher Madrid, director, Economic Development Department of Rio Arriba County, discussed opportunities and requirements for film production in the state. Mr. Gray emphasized the importance of creating a location inventory, establishing one-stop permitting and developing a local vendor listing and network. He said that New Mexico has the third largest photo database in the country, but the state only has one person maintaining that database.

Mr. Gray indicated that a challenge for New Mexico is that it is the only state that does not provide shooting location permits at the state level; rather, permitting is done at the local level. He said that because decisions are made quickly on where to produce a film or where to

shoot a scene, the two critical elements that local communities must have to successfully recruit film productions are:

- 1) responsive community members who are readily available by phone and who quickly return calls. The New Mexico Film Office has had a film liaison program for at least 10 years that works to get local people to be "front" people for the New Mexico Film Office. Mr. Gray said that a film liaison needs to be able to answer questions about the weather, where to eat, lodging, locations to shoot and other services; and
- 2) a good local photo library available online. A film liaison can help build a local photo library. He said that a film director needs to be able to envision the story being told, and often a photo of a unique setting will "sell" a production more readily than beautiful nature photos. For more remote locations, like Anton Chico, Mr. Gray said that a good photo library is essential.

Mr. Madrid explained that few rural counties have the resources or capacity to focus on developing or supporting the film industry locally. He stressed the importance of communities having local economic development practitioners to compliment and augment statewide resources. He noted that, more than ever, rural areas are challenged and economic indicators are still below pre-recession levels. The Rio Arriba County area is losing population, he stated, and the economic base is too narrow, creating considerable economic leakage. He recommended that funding be provided to the EDD for a cooperative program to encourage rural counties to initiate or expand economic development and tourism programs.

A member commented that some very small communities are not benefiting economically from film production even though films are being produced in those communities. Mr. Gray agreed that there are cases when this happens; however, he said some film companies make donations to local communities and neighborhood associations that are impacted by film production. He said film companies typically want to make communities feel that they had a good experience so film companies will be welcomed back in the future. The member asked if the New Mexico Film Office helps people determine what is a fair amount to charge for location shoots. Mr. Gray said that he does not involve himself in negotiations, but can help owners understand the variables involved in pricing a shoot location.

Asked whether the New Mexico Film Office works with the Tourism Department, Mr. Gray said that there is no ongoing collaboration. He said that film producers are often looking for the ordinary life images of a place, some of which are not so pretty and are not congruent with tourism photography. A member asked what a legislator can do to communicate with the legislator's communities about film production opportunities. Mr. Gray responded that most of the local film liaisons come from community groups or organizations that would like to attract the film industry. The film office has a binder of information useful to new liaisons that describes the film industry and culture and the film industry's unique needs. The New Mexico Film Office also has workshops and gatherings across the state to help liaisons network and stay

informed. A member asked the New Mexico Film Office to suggest to the film industry that, in the case of films shooting on land grant lands, it would be appropriate to make a donation to the land grant where the film is being shot.

Development of a Business Plan for the Piedra Lumbre Visitor Center Location

Mr. Archuleta and Leonard Martinez, president of Land Grant Consejo, explained that the U.S. Forest Service had been given authority to dispose of its underused administrative sites several years ago. In response, the Land Grant Council funded a Piedra Lumbre Visitors Center master plan for the development of the former Piedra de Lumbre Wildlife Center, which encompasses 40 acres of U.S. Forest Service land. The master plan includes a public-use component to create an ongoing revenue source to help make the project self-sustainable. Conversations are occurring with the New Mexico congressional delegation as well as with the Northern Rio Grande National Heritage Area, the EDD and other organizations for finding funding for the project. A member asked how the land will be appraised. Mr. Archuleta responded that it would be based on the value of similar land in the area, likely around \$1,000 an acre.

A member asked if there will be a legislative capital outlay appropriation request coming. Mr. Archuleta replied that is possible but uncertain at this time, although a public-private partnership option is being explored. A member inquired as to the possibility of having the business portion of the plan privately managed. Mr. Archuleta replied that that may be possible, but that nothing is certain at this time.

LGC Motion

On a motion by Senator Candelaria, seconded by Representative Miguel P. Garcia, and without any opposition, the LGC voted to send letters to all of the land grants with which the committee is in contact asking to be informed on the land grants' top capital outlay projects and other projects that are driving economic activity.

Senator Candelaria thanked the presenters, attendees and the Anton Chico Land Grant-Merced hosts.

Public Comment

There was no public comment.

Recess

The committees recessed at 4:41 p.m.

Wednesday, October 12 — New Mexico Highlands University, Las Vegas

Reconvene/Introductions

Representative Little reconvened the ERDC at 9:11 a.m. and welcomed members of the committee, staff and guests to the meeting. Committee members and staff introduced themselves.

Welcome and Opening Remarks

Tonita Gurule-Giron, mayor, City of Las Vegas, welcomed the committee and guests to the City of Las Vegas. She related that the City of Las Vegas is working on developing diverse economic activities, including tourism and film, which in turn stimulates other industries, from construction to food services.

Dr. Sam Minner, president, New Mexico Highlands University (NMHU), welcomed the committee and guests to NMHU, and he noted that a strong university is one of the foundations of small communities. Max Baca, vice president of finance and administration, NMHU, also welcomed the committee and thanked the members for their support of NMHU through the special session.

Dr. Carol Linder, interim provost, NMHU, referring to her handout at item (6), highlighted high-impact, high-engagement opportunities at NMHU for students and faculty, including:

- institutionalization of the award-winning Achieving in Research, Math and Science (ARMAS) in the Education Student Center;
- memoranda of understanding establishing partnerships with Diné College and 23 other tribal entities;
- grant funding from New Mexico's Experimental Program to Stimulate Competitive Research (EPSCoR);
- an endowment from the Los Alamos National Laboratory (LANL) Foundation, which supports students in science, technology, engineering and mathematics disciplines;
- international research and classroom opportunities, such as anaconda research expeditions to Venezuela, field ecology and conservation biology field trips to Mexico and geology research trips to Europe; and
- a partnership with Las Vegas-San Miguel Economic Development Corporation (LV-SM EDC), through which LV-SM EDC is housed on the NMHU campus and provides business incubator space for new initiatives that may serve as hosts for interns.

A committee member asked for more information about NMHU's online nursing program. Dr. Linder explained that it is a two-year program that has existed since 2006, and the program currently has 65 students working on their bachelors of science in nursing degrees; the students are already registered nurses, so their clinical education is complete. The program is

growing and is currently hiring a new director.

A committee member asked how NMHU is working with high school students. Dr. Linder responded that NMHU offers dual enrollment to high school students, but not degrees, because NMHU degrees are at the level of bachelor's and higher; Luna Community College also offers dual enrollment and associate's degrees. She noted that the school funding formula had changed, and NMHU now receives only \$10.00 per student per class for dual enrollees. She added that the partnership with Diné College offers students the opportunity to complete classes and degrees remotely, helping students to stay in their communities while they obtain a degree.

A committee member asked how the university can help the state attract employment opportunities for students when they finish their degrees. Dr. Linder replied that NMHU has very well-regarded programs for social workers and teachers, and most of the students from northern New Mexico want to stay in northern New Mexico when they complete their degrees in order to give back to their communities. In addition, NMHU has a business incubator operated jointly with LV-SM EDC, and EPSCoR provides support for research that can be developed into business opportunities.

A committee member asked how NMHU addresses absenteeism of Native American students who miss class due to participation in tribal religious activities. Dr. Linder said that NMHU's policy is to allow work missed during absences to be made up. The university is working to raise awareness among faculty and students of the importance of communication between students and faculty when absences are anticipated.

Dr. Minner averred that the universities and the state must think more holistically about the relationship between academics and the workforce. He noted that there is a need to align educational programs with the jobs that are available at the national laboratories, especially at LANL, and to work to attract more businesses into the state so as to keep the university's graduates working in New Mexico.

Acequias: Updates and Legislative Priorities

Paula Garcia, executive director, New Mexico Acequia Association (NMAA), working through her handout at item (7), noted that small, under-50-acre farms are the majority of farms in New Mexico, and counties with acequias make up about 40 percent of the farms in the state; at the latest count, there are 598 acequias in 20 counties.

Ms. Garcia observed that agriculture is a major contributor to the state's economy. With the demand for locally grown food increasing, acequias play a significant part in crop and livestock production. She highlighted the NMAA policy platform and policy recommendations, including:

- capital outlay reform and investment in infrastructure;
- protection of agricultural water rights and farmland; and

- farming and ranching as a form of workforce and small business development.

Ms. Garcia recounted a pending water rights transfer case that would indirectly affect local agriculture. Noting that agriculture is important to the culture and heritage of New Mexico, and even has a role in the tourist economy, she requested that the committee consider legislation that would require the consideration of the impact on local agriculture when evaluating any proposed transfer of water rights. Ms. Garcia urged the committee not to pass any legislation that would erode the due process rights in current law.

Ms. Garcia additionally discussed some success stories and partnerships, including the Acequia Rehabilitation Initiative, a partnership among the New Mexico Association of Conservation Districts, the NMAA and the Interstate Stream Commission for acequia water conservation projects, and an American Friends Service Committee New Mexico (AFSC NM) Farmer-to-Farmer Training Program that provides hands-on training to new farmers in business planning and farm development.

Harold Trujillo described his experience with his own farm, saying that since 2008 when the drought got bad, he has had to scale back production because there was not enough water. He added that his son produces grass-fed beef, but there are no slaughterhouses to process it locally. A committee member commented that there was discussion during the committee's meeting the previous day about the possibility of the Anton Chico Land Grant-Merced reopening the slaughterhouse in Las Vegas.

A discussion ensued about the existing and needed new supports for farming and ranching to be economically viable. Ms. Garcia noted that when she asks farmers where they go for help, many name conservation agencies and the Cooperative Extension Service (CES) in their county, although the CES is understaffed in many counties. Mr. Trujillo commented that Don Bustos, owner and operator of Santa Cruz Farms, and an AFSC NM director, produces \$100,000 of vegetables a year with a greenhouse and three acres. Ms. Garcia added that the United States Department of Agriculture, especially its Natural Resources Conservation Service; New Mexico State University's Alcalde Sustainable Agriculture Science Center; and the United States Department of Commerce's Economic Development Administration, which funds "food hubs" that allow local farmers to aggregate their production to access larger markets, are also excellent resources.

El Valle Women's Collaborative (EVWC)

Yvonne Sandoval, executive director, EVWC, referring to her handout at item (8), highlighted current and proposed EVWC programs to promote economic development, health and wellness throughout the Pecos River valley, including the following:

- Bueno Para Todos Cooperative, a partnership with the Center for Southwest Culture, just completed a hoop house and has a contract to produce food for the Glorieta Conference Center;

- the Lavender Project plants lavender along acequias to choke out invasive species, support bees and provide a commercially viable crop;
- the Micro-Lending Project provides loans, often used for education and training, for instance, as a midwife, doula and herbalist, so that women may go back to school and contribute to their own communities;
- a proposed mobile services van to provide an array of services, including obstetric and gynecological services, which are especially important now that the hospital in Las Vegas no longer accepts obstetrical patients; and
- Youth Farm to Market, which provides education and training for young people to encourage them to become farmers.

The EVWC is seeking \$100,000 through grants and other funding for three part-time employees to support its various programs. Ms. Sandoval said that the organization is a volunteer nonprofit organization and all projects are operated by volunteers. She, herself, is a non-salaried director; she said the EVWC could get more done if it could pay small salaries to a few people. Responding to a committee member's question, she said that the EVWC has received a grant from the McCune Foundation and other small community foundations; last year, it received less than \$20,000.

Economic Development Opportunities at Fort Bayard

Richard Bauch, mayor, Village of Santa Clara, played a video about Fort Bayard. Referring to his handout at item (9), he reviewed the proposed project for the village to develop a Living Heritage Park on the Fort Bayard National Historic Site. The village engaged Pros Consulting to develop a business plan for the park that would address the best ways to maximize the use of the property. The proposed plan is detailed in the handout, *Fort Bayard Historic District Final Business Plan - Executive Summary*. After transfer of the property from the state to the village, the initial step in development of the park is to make the necessary repairs to some of the buildings so that they could be rented to the U.S. Forest Service. Money from the lease of the buildings would then pay for the next development steps, he said.

Sheila Hudman, clerk and treasurer, Village of Santa Clara, explained that the village is asking for support for a joint resolution that will be introduced by Senator Howie C. Morales in the upcoming legislative session that would transfer the property from the state to the village. The joint resolution would be accompanied by a capital outlay request for \$1.8 million to repair and improve some of the buildings. Ms. Hudman noted that the state would retain the water rights to the property.

In response to a question by a committee member, Mr. Bauch explained that the property is owned by the General Services Department and controlled by the Department of Health, so it is difficult to get anything done to prevent and clean up vandalism and related issues that stem from lack of attentive oversight. The committee discussed the possibility of Fort Bayard becoming a civil war history tourism destination, in addition to being a hub for tourism in the surrounding area.

Rural Redevelopment Tools Through MainStreet

Rich Williams, director, New Mexico MainStreet, EDD, noted that the Village of Santa Clara is one of the state's premier frontier communities. He referred to his handout at item (10) to illustrate the statewide distribution of New Mexico MainStreet programs, projects and initiatives.

Mr. Williams said that the two key tools for supporting economic development in small rural communities are the Main Street Act and the Great Blocks on MainStreet Program. Both programs target reinvestment in communities to catalyze redevelopment; funding is derived from the state and also federally from the United States Department of Agriculture and the Transportation Enhancement Funding through the Federal Highway Administration and from public-private partnerships.

He described MainStreet metropolitan redevelopment areas by reviewing his handout at item (10). He noted that the Main Street Act originally only applied to metropolitan areas of greater than 500,000 in population, but it has since been amended to apply regardless of population; Clovis, for example, used the MainStreet Program in its downtown revitalization project.

Mr. Williams explained that the Great Blocks on MainStreet Program involves several related projects that leverage each other, and he referred to his handout at item (10) to describe the Raton Great Blocks on MainStreet project as an illustration. He stated that the program focuses on a cohesive set of buildings approximately one-fourth of a mile walking distance from each other to create a viable core commercial area. He provided the committee with a brochure, *MainStreet Public Infrastructure Initiatives, FY2018*, that has photographs of Great Blocks on MainStreet projects in Belen, Carrizozo, Farmington, Las Vegas, Raton, Tucumcari, Tularosa and the Pueblo of Zuni.

Updates on the Jobs Council's Job-Creation Plan

Mark Lautman, certified economic developer, Lautman Economic Architecture, LLC, referring to his handout at item (11), *Fact Sheet 2016 Interim Legislative Jobs Council*, reminded the committee that the Jobs Council was created four years ago and since then has had more than 65 meetings with various constituencies to reach clarity and consensus on a job-creation agenda for the state. He then worked through a PowerPoint presentation at item (11) to describe nine program "theaters", which provide a framework for where economic development efforts need to be focused to create economic-base jobs. He noted, however, that two of the program theaters with the highest potential to create jobs are underfunded and four lack formal organization.

Mr. Lautman stressed that economic-base jobs are being lost faster than they are being created. In addition to a need for more planning at the local level and repairing a broken planning framework at the state level, he recommended legislative action to consolidate the economic development statutes and fund the successful economic development programs already enacted.

In response to a question from a committee member about staff augmentation funding for rural communities, Mr. Lautman said that many rural or small developers cannot afford to hire the staff they need; in such a case, the state ought to be able to step in and assist. Asked about the number of economic developers in the state, he said that at the state level there is no planning office that is collecting analytics on economic developers. As to incentives to businesses, he remarked that a bill may be introduced to change the reporting rules when state incentives are taken by private enterprise; this reporting would facilitate an understanding of what motivated a company to move to New Mexico and whether the financial incentive was actually the motivating move. A member raised a concern about incentivizing out-of-state businesses to move here if they then compete with or put other New Mexico companies out of business.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the fifth meeting of the ERDC for the 2016 interim adjourned at 3:29 p.m.

Revised: November 10, 2016

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

**November 9-10, 2016
State Capitol, Room 322
Santa Fe**

Wednesday, November 9

- 10:00 a.m. **Call to Order — Introductions — Approval of Minutes**
—Representative Rick Little, Chair
- 10:10 a.m. (1) **Health Care for Tribal and Rural New Mexico**
—TBD, Burrell College of Osteopathic Medicine
- 11:00 a.m. (2) **Opioids and a Path Forward**
—Dr. Janetta Iwanicki, Associate Medical Director, Researched Abuse,
Diversion and Addiction-Related Surveillance
—Dr. Michael Landen, State Epidemiologist, Department of Health
—Ralph McClish, Executive Director, New Mexico Osteopathic Medical
Association
—Dr. Rupa Shah, Associate Director, Medical Science Liaison, Purdue
Pharma
- 1:00 p.m. **Lunch**
- 2:15 p.m. (3) **Opportunities to Increase Investment in Broadband**
—Katherine Martinez, Director, Legislative Affairs, CenturyLink
- 3:15 p.m. (4) **New Mexico-Grown Fresh Fruits and Vegetables for School Meals**
—Pamela Roy, New Mexico Food and Agriculture Policy Council
—Sandra Kemp, New Mexico School Nutrition Association, Policy and
School Food Service, Albuquerque Public School District
—Anthony Wagner, Wagner Farms, Corrales
—Sonlatsa Jim-Martin, Community Outreach Patient Empowerment
(COPE)

4:00 p.m. (5) [Double Up Food Bucks for Farmers Markets](#)
—Denise Miller, Executive Director, New Mexico Farmers' Marketing
Association
—Jedrek Lamb, Agricultura Network

4:45 p.m. **Public Comment**

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

Thursday, November 10

9:00 a.m. **Reconvene**
—Representative Rick Little, Chair

9:15 a.m. (6) [New Mexico First Town Hall Recommendations](#)
—Heather Balas, President, New Mexico First
—Tom Taylor, Implementation Team Co-Chair, Economy Town Hall, New
Mexico First
—Bill Garcia, Implementation Team Co-Chair, Economy Town Hall, New
Mexico First

10:30 a.m. (7) [Updates from the Workforce Solutions Department](#)
—Celina C. Bussey, Secretary, Workforce Solutions Department

11:30 a.m. (8) [Updates from the Economic Development Department](#)
—Matt Geisel, Secretary-Designate, Economic Development Department

12:30 p.m. **Lunch**

1:45 p.m. (9) [Updates on Capital Outlay for Broadband Infrastructure](#)
—Eric Moores, Broadband Project Manager, Broadband Deficiencies
Correction Program (BDCP), Public School Facilities Authority
(PSFA)
—Ovidiu Viorica, Broadband Program Manager, BDCP, PSFA

2:45 p.m. (10) [Discussion of Proposed Committee-Endorsed Legislation](#)

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

5:00 p.m. **Adjourn**

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

**November 9-10, 2016
Room 322, State Capitol
Santa Fe**

The sixth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Rick Little, chair, on November 9, 2016 at 10:06 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Rep. Rick Little, Chair
Sen. Jacob R. Candelaria (11/10)
Sen. Richard C. Martinez (11/9)
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Patricia Roybal Caballero
Sen. Pat Woods (11/9)
Rep. Bob Wooley
Rep. John L. Zimmerman

Absent

Sen. Benny Shendo, Jr., Vice Chair
Sen. Ron Griggs
Rep. D. Wonda Johnson
Sen. Michael Padilla

Advisory Members

Rep. Eliseo Lee Alcon
Sen. Craig W. Brandt
Sen. Lee S. Cotter (11/9)
Rep. George Dodge, Jr. (11/9)
Rep. Bealquin Bill Gomez
Rep. Jimmie C. Hall (11/9)
Rep. Nick L. Salazar

Rep. Nora Espinoza
Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Sen. Mark Moores
Sen. Mary Kay Papen
Rep. Dennis J. Roch
Sen. William E. Sharer

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

Minutes Approval

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

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
Celia Ludi, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Wednesday, November 9**Call to Order and Introductions**

Representative Little called the meeting to order and welcomed members of the committee, staff and guests to the meeting.

Health Care for Tribal and Rural New Mexico

Justin McHorse, chief of staff, assistant dean for multicultural affairs, Burrell College of Osteopathic Medicine (BCOM), informed the committee that today, nearly 30% of medical students in the United States are training to be doctors of osteopathic medicine (DOMs). A DOM's training is identical to a medical doctor's training, with an additional 250 to 300 hours of training in osteopathic principles and practices. Mr. McHorse said the BCOM's inaugural class of 162 students began its training at the newly opened school in Las Cruces in August. The class will do two years of classroom work followed by two years of clerkships in health care practices throughout the state, including in tribal communities, before graduating; graduation is followed by residencies of varying lengths. According to Mr. McHorse, 24% of the inaugural class is from the area surrounding the BCOM. The BCOM has two application processes designed to encourage New Mexicans to apply: one is a combined application to New Mexico State University and the BCOM; and the other is an "expedited admission" to encourage students from the southwestern United States (defined as New Mexico, El Paso, Texas, and Southern Arizona) and all American Indian and Alaskan Native tribal nations to apply directly to the BCOM for admission and bypass the American Association of Colleges of Osteopathic Medicine Application Service application process.

Scott Cyrus, DOM, chair, Pediatrics, BCOM, noted that the majority of DOMs are family and general medicine practitioners, but DOMs also practice in a wide range of specialties, including surgery, emergency medicine, anesthesiology, pediatrics and research. He observed that since all but two New Mexico counties have a shortage of primary care physicians, and since most medical students practice in the area in which they train, the addition of BCOM's students to the students graduated by the University of New Mexico (UNM) Medical School will help to address that shortage. He added that the BCOM is already contributing to the health care scene in southern New Mexico: faculty are already practicing in the area; and the BCOM is developing an autism clinic staffed by faculty to provide diagnostic and treatment services in the southern part of the state. Currently, there is a 14-month wait to get into the UNM autism clinic.

In answer to committee members' questions, Mr. McHorse said that BCOM students are not eligible for lottery scholarships because the BCOM is a graduate school. He asked that

legislators support a bill funding student loans authorized by the Osteopathic Medical Student Loan for Service Act, which was passed by the 2016 legislature.

Opioids and a Path Forward

Dr. Janetta Iwanicki, associate medical director, Researched Abuse, Diversion and Addiction-Related Surveillance System, reviewed her handout at item (2), "Abuse Deterrent Formulations: Current Data and Future Opportunities". She emphasized that studies show that abuse deterrent formulations (ADFs) of opioids, such as making a pill harder to crush for intranasal or intravenous use, are likely to be effective in reducing abuse. The technology, however, is not being used across the market, and abusers most likely switched to nondeterrent formulated opioids when oxycodone was reformulated to be an ADF. She also noted that widespread use of ADFs by manufacturers is needed to reduce prices and ensure the use of ADFs across the market. While hopeful about the effectiveness of ADFs, she stated that education, training and other interventions are crucial to addressing the opioid abuse problem and will have a positive impact on the problem long before abuse deterrents will.

Dr. Michael Landen, state epidemiologist, Department of Health, reviewed his handout at item (2), "Opioid Prescribing and Drug Overdose Death in Rural New Mexico". Dr. Landen opened by noting that mortality is rising among middle-aged white Americans and that the causes are mostly due to the experience of pain, including drug overdose, suicide and alcohol-related mortality. He said there is an opioid over-prescribing epidemic and that currently in the state the equivalent of one opioid prescription for every New Mexico adult is filled per year. Rural communities are particularly hit hard, as rural areas generally have less access to health care, higher rates of opioid prescribing and fewer interventions, such as medication-assisted treatment for addiction and overdose, which result in higher overdose death rates.

Ralph McClish, executive director, New Mexico Osteopathic Medical Association, referenced the high disability rates for prime-age workers and the higher rates of opioid prescriptions in rural areas because of lack of access to non-drug pain treatment such as physical therapy. He also noted that disability and poverty are correlated. He suggested that raising the amount of money a person on disability is allowed to earn before losing disability benefits would allow for retraining into an occupation not affected by the disability. He also suggested requiring opioid prescriptions for disabled patients be ADFs as described by Dr. Iwanicki to reduce the opportunities for diversion of opioids to persons other than the persons for whom they were prescribed.

Dr. Rupa Shah, associate director and medical science liaison, Purdue Pharma, reviewed her handout at item (2), "Purdue's Perspective on Solutions to Address Prescription Opioid Abuse". She explained the technological advances made by Purdue's proprietary extended-release solid oral dosage formulation platform, which confers tablet hardness and imparts viscosity when a tablet is dissolved in aqueous solutions, and she discussed how epidemiological studies expect the formula to reduce incidents of injection and intranasal abuse. Above all, she

noted that appropriate use of opioids needs to be ensured because opioids are effective in pain relief and the public needs access to effective medicine.

In response to questions from committee members, Dr. Shah clarified that:

- ADFs do not address addiction, but only the prevention of overdoses;
- reformulating the drugs does not alter their potency, it just makes them more difficult to abuse by crushing or dissolving to inhale or inject;
- some reformulated drugs, e.g., OxyContin, do not cost any more than the original form; and
- seven branded ADFs have been approved by the federal Food and Drug Administration, but generic ADFs are not currently available.

Dr. Landen commented that a lot of legislation was passed in 2016 regarding the opioid crisis in New Mexico, and the new legislation is just being implemented now; it is too early to have measurable results. In response to a committee member's question, the panelists discussed ideas to further combat the opioid crisis, including making ADFs mandatory; enacting a seven-day prescribing limit; mandating that pharmaceutical companies work with insurance companies to reduce rates; increasing access to naloxone and medically assisted treatments; increasing access to nonpharmacological therapies; removing "fail first" clauses for payers to be prescribed deterrents; and increasing education and training.

Opportunities to Increase Investment in Broadband

Katherine Martinez, director, legislative affairs, CenturyLink, reviewed two pieces of proposed legislation endorsed by the Jobs Council. The legislation may be viewed in the "2017 Endorsed Legislation" on the Jobs Council's webpage on www.nmlegis.gov. One bill would modernize the New Mexico Telecommunications Act to provide for Public Regulation Commission jurisdiction over incumbent local exchange carriers and their investment in telecommunications and broadband infrastructure (.204952.2); and the other bill would amend a section of the Local Economic Development Act (LEDA) to define broadband as an "economic development project" for which LEDA funds could be used (.205002.1).

Ms. Martinez said that the bills would improve broadband access statewide, especially in areas outside the I-25 corridor, with no fiscal impact to governments. She noted that New Mexico is ranked fourth to last among all states in broadband connectivity and speed; speed in many places is not adequate for education, to conduct research, telemedicine or internet-based home businesses. Ms. Martinez also discussed the need for legislation to convert the State Rural Universal Service Fund (USF), which was enacted to provide telephone service in rural areas, to a broadband fund. She said as the law is currently written, it is not clear that the USF can be used for broadband.

Answering questions by committee members, Ms. Martinez explained that amending the LEDA to define broadband as an "economic development project" will clarify that public funds

can be used for trenching and conduit without violating the Anti-Donation Clause [Article 9, Section 14] of the Constitution of New Mexico. The bill envisions that governments that have dug trenches and laid conduit as part of unrelated projects could allow private companies to lay fiber optic cable in the same trenches before closing the trench, which would allow governments to shoulder the cost of opening trenches and laying conduit. This would save private companies the expense of doing the same work at a later time, thereby making it more cost-efficient for the private company to provide broadband access. She said that Utah has similar legislation, which is referred to as "Dig Once".

Approval of Minutes

On a motion made and seconded, the ERDC approved the minutes from its October 11-12, 2016 meeting without objection.

New Mexico-Grown Fresh Fruits and Vegetables for School Meals

Pamela Roy, New Mexico Food and Agriculture Policy Council, reviewed her brochure at item (4), "NM Grown Produce for School Meals", and requested the committee's support for an appropriation of \$1.44 million to the Public Education Department for the purchase of New Mexico-grown fresh fruits and vegetables and the distribution of the produce to school districts, charter schools and juvenile detention centers through the department's school meal programs, and for a full-time-equivalent position to administer and promote the initiative.

Sandra Kemp, New Mexico School Nutrition Association, Policy and School Food Service, Albuquerque Public School District, expressed that the "New Mexico Grown" program gives students the opportunity to taste real fresh fruit and vegetables, as well as to take field trips to farms to see first-hand where food actually comes from. She noted that the appropriation has decreased, which affects school meal menus and planning.

Anthony Wagner, Wagner Farms, Corrales, is one of many farmers who participate in the program. His family has been farming in New Mexico for over 100 years. He started selling produce to four school districts in 2010. Mr. Wagner noted that the program is a benefit for farmers as well as students, because it gives farmers another market for their produce.

Sonlatsa Jim-Martin, Community Patient Outreach Empowerment, reviewed her handout at item (4), "Navajo Farm to School Report". She described the three key program areas as: nutrition and health education; revitalizing cultural teachings regarding growing and hunting food; and encouraging and supporting local farmers, including backyard gardeners. She said the programs get fresh produce into convenience stores, encourage doctors to prescribe fresh fruit and vegetables instead of medications, provide food literacy education and support more farmers' markets.

The committee discussed possible reasons for food waste in schools. Ms. Kemp observed that a lot of the reason for throwing away food is that children do not have enough time to eat it.

She said that she had been told that state law mandates 30 minutes for lunch and recess but some schools combine lunch and recess and lunch gets shortened.

Double Up Food Bucks for Farmers Markets

Denise Miller, executive director, New Mexico Farmers' Marketing Association, reviewed her handout at item (5), "Double Up Food Bucks for Farmers Markets". She asserted that investing in health is one of the most fundamental economic development strategies that can be employed because of the high costs of bad health. She added that Double Up Food Bucks and similar programs are investments that prevent costs in other areas and support agriculture and related economic activities. Jedrek Lamb, Agricultura Network, concurred with Ms. Miller's comments, saying that the program is vital for farmers and communities.

In response to a member's question, Ms. Miller said the association will request an appropriation of \$380,000 to be matched by federal funds of \$400,000, plus in-kind support of \$125,000, for a total of a \$525,000 federal match. Historically, the association has guaranteed the state matching funds because the state cannot guarantee future funding. The appropriation is a recurring appropriation in the state budget that is connected to the gaming compacts. She explained that all of the state money goes to food, only federal funds are used for outreach and education and 62% of all funds received pay for food.

Public Comment

There was no public comment.

Recess

The committee recessed at 4:34 p.m.

Thursday, November 10

Reconvene — Introductions

The committee reconvened at 9:10 a.m. Representative Little welcomed members of the committee, staff and guests to the meeting. Committee members and staff introduced themselves.

New Mexico First Town Hall Recommendations

Heather Balas, president, New Mexico First, reviewed her handout at item (6), "New Mexico First Town Hall Recommendations". She discussed how New Mexico First, an independent, bipartisan organization, convenes more than 200 people from all six regions of New Mexico who are involved in business, the environment, research, government, agriculture and other fields to come to an agreement in practical ways on how to move New Mexico's economy forward. Detailed in her handout, Ms. Balas described for the committee the town hall's key recommendations regarding tax reform, the "cliff effect", border trade, resources and regulatory barriers to economic development in rural and tribal communities, workforce training and education and opportunities for technology transfer from the national laboratories.

Bill Garcia, co-chair, Implementation Team, Economy Town Hall, New Mexico First, said that the two key targets for advancing the town hall's recommendations are comprehensive, not piecemeal, reformation of the tax code and a focus on border trade. Mr. Garcia opined that New Mexico needs good jobs as the foundation that supports everything else and stops "brain drain". For example, Intel Corporation had positions that needed to be filled, and it worked with community colleges to provide the training that qualified people for those jobs. When the people completed the training, the jobs were there. Intel also worked with universities to identify alumni who were senior engineers working out of state to recruit them back to New Mexico. Similarly, he stated that there are opportunities to supply the border industries with skilled labor.

Scott Miller, chief executive officer, Circles USA, spoke in support of Recommendation 9, Advance Family-Friendly Policies, and in particular, support of eliminating the "cliff effect", a cascade of negative effects on working families that receive essential benefits such as food, child care and health care assistance that often results when a small wage raise puts them over the limits for necessary assistance; in those cases, accepting a wage raise ends up costing the family more than the raise. Elinor Sue Coates, procurement educator, also spoke in support of Recommendation 9, particularly as it applies to reliable internet access, which has been essential for the past 20 years for home-based as well as small and large businesses.

Johnny Montoya, board member, New Mexico First, and Sam Donaldson spoke in support of the recommendations.

Answering a committee member's request to identify barriers to accomplishing the recommendations, Ms. Balas said that the application process and auditing requirements for the LEDA and Job Training Incentive Program (JTIP) are cumbersome; New Mexico First is working with the Economic Development Department (EDD) to streamline the application process and auditing requirements to encourage more businesses to take advantage of the opportunities the LEDA and JTIP present. Mr. Garcia suggested changing the capital outlay process to prioritize projects across the state. The committee also discussed legislation that is needed to prioritize the expansion of broadband into rural communities, including tax incentives, use of USF funds for broadband and modernized regulations of the telecommunications industry. Ms. Balas noted that right-of-way issues continue to be a huge barrier to the expansion of broadband, water and renewable energy infrastructure.

Updates from the Workforce Solutions Department

Celina C. Bussey, secretary, Workforce Solutions Department, reviewed her handout at item (7), "Workforce Solutions Department Updates". Secretary Bussey detailed for the committee the department's divisions and programs that support the department's mission to "educate, empower and employ" New Mexico residents. Noting that the Unemployment Service Division is the department's most high-profile service, Secretary Bussey stated that the number of individuals currently certified for benefits and also filing initial claims are back to pre-recession rates. Reviewing the Labor Relations Division's apprenticeship programs that help students earn a living wage while they learn a trade, Secretary Bussey stated that the apprenticeships are

primarily concentrated in the building and construction trades and that there is great opportunity for them to be expanded into the health, early childhood development and information technology fields. Discussing the department's current initiatives, Secretary Bussey highlighted a web portal built by student interns that will be a tool for employers to offer and students and individuals to find internships. The portal will also answer questions and provide answers for employers wanting to start internship programs. The portal is currently in its beta stage, and, thus far, it has received positive feedback.

Committee members expressed support for the expansion of apprenticeship programs into more fields, including home health and early childhood development. Members encouraged Secretary Bussey to work with industry to develop such programs and to include opportunities that require proficiency in a language other than English. A committee member suggested identifying and consolidating all administrative hearing processes in the various divisions of the department under one office.

Updates from the EDD

Matt Geisel, secretary-designate, EDD, reviewed his handout at item (8), "EDD Program Updates and Priorities". Secretary Geisel detailed for the committee the 2016 fiscal year results of the EDD's programs, including the creation of 4,140 total jobs, the recruitment of 10 companies, the training of 2,238 New Mexicans for jobs earning an average wage of \$18.04 through the JTIP and a record-breaking year for film industry spending in the state. He noted that the LEDA is an important tool for New Mexico to compete with bordering states and that New Mexico's MainStreet Program has been cited as one of the best in the country in creating a quality of space. Secretary Geisel addressed the EDD's priority legislation, including funding requests for the JTIP, LEDA, MainStreet and business incubators, in addition to amending the Metropolitan Redevelopment Code to include rural communities. Secretary Geisel also recommended new legislation to create enhanced enterprise zones in which local governments may suspend property taxes during a development phase that can then be recaptured at the end of a certain period. He noted that most states have similar legislation and that the investment will result in increased economic activity and increased tax revenues.

Secretary Geisel disclosed that the \$40 million appropriation to the EDD to support companies applying for LEDA funds was not entirely spent in the last fiscal year, and the EDD is working with the Department of Finance and Administration and the Legislative Finance Committee (LFC) to revert the remaining money. In response to a committee member's question, Secretary Geisel said that data provided by the EDD to the LFC regarding the JTIP will be provided to the ERDC as well.

Updates on Capital Outlay for Broadband Infrastructures

Eric Moores, broadband project manager, Broadband Deficiencies Correction Program (BDCP), Public School Facilities Authority (PSFA), said that Senate Bill 159 from the 2014 session allows the appropriation of up to \$10 million a year of capital outlay funding for school broadband, which is increasingly important because of the heavy reliance on internet-based

testing of students and the increasing use of internet-based textbooks and other materials. The BDCP team and its partners, the Public Education Department, the Department of Information Technology and the federal nonprofit agency, EducationSuperHighway, work with all schools in the state's 89 school districts (840 schools, including approximately 100 charter schools) to provide high-quality, consistent and sustainable broadband access to the schools. The Federal Communications Commission has adopted goals for K-12 connectivity, and the federal government provides matching funds for infrastructure upgrades, including fiber, network equipment and WiFi. In 2016, state schools received over \$30 million in infrastructure upgrades, with less than \$4 million coming from state funding.

Ovidiu Viorica, broadband program manager, BDCP, PSFA, reviewed his handout at item (9), "BDCP Status Update and Maps". Mr. Viorica updated the committee on the progress of the public school's broadband upgrades and connected the school broadband upgrades to the broadband needs statewide. Through partnerships with the federal E-Rate Program, fiber upgrades have been completed for approximately 60 schools, and network equipment and WiFi upgrades have been completed for approximately 240 schools. It was emphasized that cooperation with vendors is needed to continue the work of the program as the availability of state funding is uncertain and expensive wide area network connections and network and WiFi upgrades will be needed in the future.

Answering committee members' questions, Mr. Viorica said that most schools have broadband, but the capacity is limited in some places; the program began in November 2014. He said the schools in aggregate pay \$4.3 million a year for internet access, but costs per school district vary depending on where the access originates; for instance, the Gadsden Independent School District has low costs because its access is through El Paso, not Albuquerque, and the Bloomfield School District has low costs because its access is through Colorado instead of Albuquerque. It was also noted that some schools are locked into long-term contracts that were entered into when there was less competition in the market; as a result, the costs for those school districts are often much higher than districts that entered into their contracts more recently.

Committee members encouraged the schools and the BDCP to work with counties and rural communities to expand access to homes and businesses from the schools' systems.

Discussion of Proposed Committee-Endorsed Legislation

The committee considered legislation proposed by committee members to be introduced during the 2017 session. Upon motions that were seconded, the committee endorsed, without opposition, legislation establishing an industrial hemp research and development program, appropriating funds to New Mexico-grown fresh fruits and vegetables in school meals and the Osteopathic Medical Student Loan for Service Fund and making an amendment to the Osteopathic Medical Student Loan for Service Act to allow grants and donations to be credited to that fund. Upon motions that were seconded, the committee also endorsed, without opposition, a letter to the United States secretary of energy urging continued community investment by whatever entity gets the management contract at Los Alamos National Laboratory and a letter to

New Mexico's congressional delegation urging consideration of the economic impact of environmental regulations on the viability of New Mexico's coal industry.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the sixth meeting of the ERDC for the 2016 interim adjourned at 5:00 p.m.

ENDORSED LEGISLATION

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HOUSE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

RELATING TO AGRICULTURE; PROVIDING FOR THE ESTABLISHMENT OF AN INDUSTRIAL HEMP RESEARCH AND DEVELOPMENT PROGRAM AND THE NEW MEXICO INDUSTRIAL HEMP RESEARCH AND DEVELOPMENT FUND; EXEMPTING INDUSTRIAL HEMP FROM THE CONTROLLED SUBSTANCES ACT; MAKING AN APPROPRIATION.

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

SECTION 1. A new section of Chapter 76 NMSA 1978 is enacted to read:

"NEW MATERIAL INDUSTRIAL HEMP RESEARCH AND DEVELOPMENT PROGRAM--NEW MEXICO DEPARTMENT OF AGRICULTURE.--

A. As used in this section, "industrial hemp" means the plant Cannabis sativa L. and any part of the plant, whether growing or not, containing a delta-9-tetrahydrocannabinol concentration of no more than three-tenths percent on a dry

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1 weight basis.

2 B. Notwithstanding any other provision of law to
3 the contrary, the board of regents of New Mexico state
4 university through the New Mexico department of agriculture
5 shall institute and administer an industrial hemp research and
6 development program to permit persons and institutions of
7 higher education to grow industrial hemp for the purpose of
8 studying the growth, cultivation and marketing of industrial
9 hemp in New Mexico.

10 C. The board of regents of New Mexico state
11 university on behalf of the New Mexico department of
12 agriculture shall promulgate rules to establish and carry out
13 the industrial hemp research and development program, including
14 requirements for participation, application procedures,
15 issuance of permits, inspections, recordkeeping, participation
16 fees not to exceed administrative costs, compliance processes
17 and training of law enforcement personnel.

18 D. The New Mexico department of agriculture shall
19 issue permits to grow industrial hemp to persons or
20 institutions of higher education pursuant to the promulgated
21 rules.

22 E. A person or institution of higher education
23 permitted to grow industrial hemp pursuant to this section may
24 grow industrial hemp for the purpose of studying the growth,
25 cultivation or marketing of industrial hemp. The cultivation

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1 of industrial hemp shall be subject to and comply with the
2 rules promulgated by the board of regents of New Mexico state
3 university on behalf of the New Mexico department of
4 agriculture pursuant to this section.

5 F. The board of regents of New Mexico state
6 university shall establish a "New Mexico industrial hemp
7 research and development fund". The fund consists of revenue
8 collected by the New Mexico department of agriculture in
9 administration of the industrial hemp research and development
10 program, donations, grants and income earned from investment of
11 the fund and money otherwise accruing to the fund. Money in
12 the fund shall not revert to any other fund at the end of a
13 fiscal year. The board of regents of New Mexico state
14 university shall administer the fund, and money in the fund is
15 appropriated to the board of regents of New Mexico state
16 university for the New Mexico department of agriculture to
17 administer the industrial hemp research and development program
18 and related programs. Money in the fund shall be disbursed on
19 warrants signed by the board of regents of New Mexico state
20 university pursuant to vouchers signed by the director of the
21 New Mexico department of agriculture or the director's
22 authorized representative."

23 SECTION 2. Section 30-31-6 NMSA 1978 (being Laws 1972,
24 Chapter 84, Section 6, as amended) is amended to read:

25 "30-31-6. SCHEDULE I.--The following controlled

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1 substances are included in Schedule I:

2 A. any of the following opiates, including their
3 isomers, esters, ethers, salts, and salts of isomers, esters
4 and ethers, unless specifically exempted, whenever the
5 existence of these isomers, esters, ethers and salts is
6 possible within the specific chemical designation:

- 7 (1) acetylmethadol;
- 8 (2) allylprodine;
- 9 (3) alphacetylmethadol;
- 10 (4) alphameprodine;
- 11 (5) alphamethadol;
- 12 (6) benzethidine;
- 13 (7) betacetylmethadol;
- 14 (8) betameprodine;
- 15 (9) betamethadol;
- 16 (10) betaprodine;
- 17 (11) clonitazene;
- 18 (12) dextromoramide;
- 19 (13) dextrorphan;
- 20 (14) diampromide;
- 21 (15) diethylthiambutene;
- 22 (16) dimenoxadol;
- 23 (17) dimepheptanol;
- 24 (18) dimethylthiambutene;
- 25 (19) dioxaphetyl butyrate;

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- 1 (20) dipipanone;
- 2 (21) ethylmethylthiambutene;
- 3 (22) etonitazene;
- 4 (23) etoxeridine;
- 5 (24) furethidine;
- 6 (25) hydroxypethidine;
- 7 (26) ketobemidone;
- 8 (27) levomoramide;
- 9 (28) levophenacymorphan;
- 10 (29) morpheridine;
- 11 (30) noracymethadol;
- 12 (31) norlevorphanol;
- 13 (32) normethadone;
- 14 (33) norpipanone;
- 15 (34) phenadoxone;
- 16 (35) phenampromide;
- 17 (36) phenomorphan;
- 18 (37) phenoperidine;
- 19 (38) piritramide;
- 20 (39) proheptazine;
- 21 (40) properidine;
- 22 (41) racemoramide; and
- 23 (42) trimeperidine;

24 B. any of the following opium derivatives, their
25 salts, isomers and salts of isomers, unless specifically

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1 exempted, whenever the existence of these salts, isomers and
2 salts of isomers is possible within the specific chemical
3 designation:

- 4 (1) acetorphine;
- 5 (2) acetyldihydrocodeine;
- 6 (3) benzylmorphine;
- 7 (4) codeine methylbromide;
- 8 (5) codeine-N-oxide;
- 9 (6) cyprenorphine;
- 10 (7) desomorphine;
- 11 (8) dihydromorphine;
- 12 (9) etorphine;
- 13 (10) heroin;
- 14 (11) hydromorphinol;
- 15 (12) methyl-desorphine;
- 16 (13) methyldihydromorphine;
- 17 (14) morphine methylbromide;
- 18 (15) morphine methylsulfonate;
- 19 (16) morphine-N-oxide;
- 20 (17) myrophine;
- 21 (18) nicocodeine;
- 22 (19) nicomorphine;
- 23 (20) normorphine;
- 24 (21) pholcodine; and
- 25 (22) thebacon;

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1 C. any material, compound, mixture or preparation
2 that contains any quantity of the following hallucinogenic
3 substances, their salts, isomers and salts of isomers, unless
4 specifically exempted, whenever the existence of these salts,
5 isomers and salts of isomers is possible within the specific
6 chemical designation:

- 7 (1) 3,4-methylenedioxy amphetamine;
8 (2) 5-methoxy-3,4-methylenedioxy amphetamine;
9 (3) 3,4,5-trimethoxy amphetamine;
10 (4) bufotenine;
11 (5) diethyltryptamine;
12 (6) dimethyltryptamine;
13 (7) 4-methyl-2,5-dimethoxy amphetamine;
14 (8) ibogaine;
15 (9) lysergic acid diethylamide;
16 (10) marijuana;
17 (11) mescaline;
18 (12) peyote, except as otherwise provided in
19 the Controlled Substances Act;
20 (13) N-ethyl-3-piperidyl benzilate;
21 (14) N-methyl-3-piperidyl benzilate;
22 (15) psilocybin;
23 (16) psilocyn;
24 (17) tetrahydrocannabinols;
25 (18) hashish;

- 1 (19) synthetic cannabinoids, including:
2 (a) 1-[2-(4-(morpholinyl)ethyl)-3-(1-
3 naphthoyl)indole;
4 (b) 1-butyl-3-(1-naphthoyl)indole;
5 (c) 1-hexyl-3-(1-naphthoyl)indole;
6 (d) 1-pentyl-3-(1-naphthoyl)indole;
7 (e) 1-pentyl-3-(2-methoxyphenylacetyl)
8 indole;
9 (f) cannabicyclohexanol (CP 47, 497 and
10 homologues: 5-(1,1-dimethylheptyl)-2-[(1R,3S)
11 -3-hydroxycyclohexyl]-phenol (CP-47,497); and 5-(1,
12 1-dimethyloctyl)-2-[(1R,3S)-3-hydroxycyclohexyl]-phenol;
13 (g) 6aR,10aR)-9-(hydroxymethyl)
14 -6,6-dimethyl-3-(2-methyloctan-2-yl)-6a,7,10,
15 10a-tetrahydrobenzo[c]chromen-1-ol);
16 (h) dexanabinol, (6aS,10aS)
17 -9-(hydroxymethyl)-6,6-dimethyl-3-(2-methyloctan-2-yl)
18 -6a,7,10,10a-tetrahydrobenzo[c]chromen-1-ol;
19 (i) 1-pentyl-3-(4-chloro naphthoyl)
20 indole;
21 (j) (2-methyl-1-propyl-1H-indol-3-yl)
22 -1-naphthalenyl-methanone; and
23 (k) 5-(1,1-dimethylheptyl)-2-(3-hydroxy
24 cyclohexyl)-phenol;
25 (20) 3,4-methylenedioxy methcathinone;

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1 (21) 3,4-methylenedioxypropylvalerone;

2 (22) 4-methylmethcathinone;

3 (23) 4-methoxymethcathinone;

4 (24) 3-fluoromethcathinone; and

5 (25) 4-fluoromethcathinone;

6 D. the enumeration of peyote as a controlled
7 substance does not apply to the use of peyote in bona fide
8 religious ceremonies by a bona fide religious organization, and
9 members of the organization so using peyote are exempt from
10 registration. Any person who manufactures peyote for or
11 distributes peyote to the organization or its members shall
12 comply with the federal Comprehensive Drug Abuse Prevention and
13 Control Act of 1970 and all other requirements of law;

14 E. the enumeration of marijuana,
15 tetrahydrocannabinols or chemical derivatives of
16 tetrahydrocannabinol as Schedule I controlled substances does
17 not apply to:

18 (1) the cultivation of industrial hemp by
19 qualified entities pursuant to the industrial hemp research and
20 development program and rules promulgated by the board of
21 regents of New Mexico state university on behalf of the New
22 Mexico department of agriculture pursuant to that program; or

23 (2) the use of marijuana,
24 tetrahydrocannabinols or chemical derivatives of
25 tetrahydrocannabinol by certified patients pursuant to the

.205032.2

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1 Controlled Substances Therapeutic Research Act or by qualified
2 patients pursuant to the provisions of the Lynn and Erin
3 Compassionate Use Act; and

4 F. controlled substances added to Schedule I by
5 rule adopted by the board pursuant to Section 30-31-3 NMSA
6 1978."

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HOUSE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

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

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

SECTION 1. APPROPRIATION.--One million four hundred forty
thousand dollars (\$1,440,000) is appropriated from the general
fund to the public education department for expenditure in
fiscal year 2018 and subsequent fiscal years for the purchase
and distribution of New Mexico-grown fresh fruits and fresh
vegetables to school districts, charter schools and juvenile
detention centers through the department's school meal programs
and for a full-time-equivalent position to administer and
promote this initiative. Any unexpended or unencumbered
balance remaining at the end of a fiscal year shall not revert
to the general fund.

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HOUSE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE OSTEOPATHIC MEDICAL STUDENT LOAN
FOR SERVICE FUND.

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

SECTION 1. APPROPRIATION.--Five hundred thousand dollars
(\$500,000) is appropriated from the general fund to the
osteopathic medical student loan for service fund for
expenditure in fiscal year 2018 and subsequent fiscal years to
provide loans to osteopathic medical students under the
Osteopathic Medical Student Loan for Service Act. Any
unexpended or unencumbered balance remaining at the end of a
fiscal year shall not revert to the general fund.

.205115.1

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HOUSE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

RELATING TO OSTEOPATHIC MEDICAL STUDENT LOANS; ALLOWING
DONATIONS AND GRANTS TO ACCRUE TO THE OSTEOPATHIC MEDICAL
STUDENT LOAN FOR SERVICE FUND.

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

SECTION 1. Section 21-22A-8 NMSA 1978 (being Laws 1978,
Chapter 109, Section 8, as amended) is amended to read:

"21-22A-8. FUND CREATED--METHOD OF PAYMENT.--There is
created in the state treasury the "osteopathic medical student
loan for service fund". All money appropriated for loans to
osteopathic medical students under the Osteopathic Medical
Student Loan for Service Act, donations, grants and income
earned from investment of the fund shall be credited to the
fund. All payments of principal and interest on loans made
pursuant to that act received by the department shall be

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1 deposited with the state treasurer to the credit of the fund or
2 shall be deposited with the department's administrative agent.
3 All payments of funds for loans shall be made upon vouchers
4 signed by designated representatives of the department."

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LEGISLATIVE COUNCIL SERVICE
SANTA FE, NEW MEXICO