



NEW MEXICO LEGISLATURE

# JOBS COUNCIL

2015 INTERIM FINAL REPORT

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## INTERIM SUMMARY



## **Jobs Council 2015 Interim Summary**

For a third year, the Jobs Council focused on the problem of the state's recession-induced jobs losses and on designing a plan to return the state to its pre-recession employment levels. Like in previous years, the council consisted of legislators and public members representing a range of political interests. And like in previous years, the council observed a rule of unanimous consent: any dissent on a proposal would keep it off the list of council-supported measures.

The council met six times for daylong meetings. Together with stakeholders and economic developers, the council deliberated on questions in key job-creation areas, or "theaters". For each theater, participants discussed the potential for job creation, the barriers to those jobs' creation and the measures the state could take to remove those barriers.

The council's deliberations and an adjunct series of regional meetings attended by stakeholders produced a set of data documenting, by region and theater, the number of new economic-base, or out-of-state-driven, jobs needed to return to pre-recession employment levels. The data were compiled in an online tool, or dashboard<sup>1</sup>, that offers a snapshot of the council's findings and a summary of the progress toward the council's overarching goal.

Aside from deliberating on process-oriented questions, the council also heard reports on job-creation measures and employment-related topics.

Throughout the interim, the council expressed its support for the following measures.

- Maintain at least \$50 million for spending in the Local Economic Development Act program.
- Appropriate \$10 million for the Job Training Incentive Program.
- Appropriate \$4.7 million for an expansion of the Tourism Department's marketing efforts.
- Appropriate \$4.5 million for the economic development grant (staff augmentation) program.
- Create a technology maturation program and appropriate \$2.5 million to the program.
- Appropriate \$2 million for the New Mexico Partnership.
- Appropriate \$2 million for a cooperative marketing program.
- Create a rapid-workforce-deployment program and appropriate \$1.25 million to the program.
- Appropriate \$950,000 for a broadband infrastructure study and broadband infrastructure expansion.
- Create a solo worker job creation pilot program and appropriate \$500,000 to the program.
- Appropriate \$500,000 for a scenic byways program.
- Appropriate \$500,000 for an evaluation of certain workers' compensation system

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<sup>1</sup>The dashboard can be found at <http://nmjc.thecelab.org/>.

components.

- Appropriate \$408,600 to New Mexico State University for its science, technology, engineering and mathematics entrepreneurship program.
- Appropriate \$300,000 for a tourism vocational gap training program.
- Create a middle school physics pilot program and appropriate \$250,000 for the program.
- Appropriate \$250,000 for a forest restoration program.
- Appropriate \$150,000 for a metrics and accountability initiative.
- Appropriate \$125,000 for a workforce gap analysis.
- Appropriate \$35,000 for a WorkKeys program.
- Create a rural infrastructure tax credit.
- Enact legislation encouraging public-private partnerships.
- Continue Jobs Council activities.

At its final meeting of the interim, the council endorsed three pieces of legislation: 1) a bill that would create a rural infrastructure tax credit (.202253.3); 2) an appropriation of \$500,000 for an evaluation of certain workers' compensation system components (.202400.1); and 3) an appropriation of \$500,000 for the scenic byways program (.202343.3).

## WORK PLAN AND MEETING SCHEDULE



**2015 APPROVED  
WORK PLAN AND MEETING SCHEDULE  
for the  
JOBS COUNCIL**

**Members**

Sen. Mary Kay Papen, Co-Chair  
Rep. Don L. Tripp, Co-Chair  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Tim D. Lewis  
Rep. Sarah Maestas Barnes  
Rep. W. Ken Martinez

Sen. George K. Munoz  
Sen. Michael Padilla  
Sen. John C. Ryan  
Sen. Michael S. Sanchez  
Sen. Mimi Stewart  
Sen. Pat Woods

**Advisory Members**

Rep. David E. Adkins  
Rep. Alonzo Baldonado  
Rep. Cathrynn N. Brown  
Sen. William F. Burt  
Sen. Carlos R. Cisneros  
Rep. Kelly K. Fajardo  
Rep. Stephanie Garcia Richard  
Rep. Bealquin Bill Gomez  
Rep. Yvette Herrell

Rep. Conrad James  
Rep. Larry A. Larrañaga  
Rep. Bill McCamley  
Sen. Howie C. Morales  
Sen. Steven P. Neville  
Rep. Debbie A. Rodella  
Rep. Patricia Roybal Caballero  
Sen. William P. Soules  
Rep. Monica Youngblood

**Public Members**

Vicente Alvarado, Business Manager/Financial Secretary, Sheet Metal Worker's Local Union No.

49

Dale Armstrong, President, TLC Plumbing & Utility

Terry Brunner, State Director, United States Department of Agriculture Rural Development

Terri L. Cole, President and Chief Executive Officer, Greater Albuquerque Chamber of  
Commerce

Jason Espinoza, President, New Mexico Association of Commerce and Industry

Sherman McCorkle, Chairman and Chief Executive Officer, Sandia Science & Technology Park  
Development Corporation

Alex O. Romero, Chair, Economic Development Commission, and President and Chief  
Executive Officer, Albuquerque Hispano Chamber of Commerce

Eric Witt, Government Relations, Entertainment Industry

**Guest Members**

The cabinet secretaries of the Department of Finance and Administration, the Economic Development Department, the Higher Education Department, the Tourism Department and the Workforce Solutions Department are invited to participate as guest members at all Jobs Council meetings.

## Work Plan

The New Mexico Legislative Council first created the Jobs Council in 2013 to respond to the state's recession-caused jobs loss. The New Mexico Legislative Council recreated the Jobs Council in 2014 and again on April 27, 2015.

During the 2015 interim, the Jobs Council will primarily address impediments to economic-base job creation and will evaluate measures to overcome those impediments. The council will explore in greater depth issues particular to:

- economic development organizations — entities dedicated to recruiting new businesses to and expanding businesses in a region;
- the visitor-driven economy — jobs fueled by tourism, convention and event participation and cultural exploration;
- innovation-to-enterprise entrepreneurship — start-up companies; business incubators; technology transfer endeavors; and solo-work jobs;
- federally derived jobs;
- film and digital media jobs;
- agriculture and energy jobs;
- local economic resiliency — measures to curtail job loss and decrease the importation of resources; and
- attracting retirees.

Within each topic, the council will try to identify the most serious impediments and the most effective solutions in the context of the following factors for job creation: 1) marketing and sales apparatus capacity; 2) real estate and infrastructure capacities and access to capital; 3) work force, education and housing capacities; and 4) leadership, organization and business climate.

Further, the council will receive testimony on:

- existing economic development and job-creation programs, including the Local Economic Development Act program, the New Mexico Partnership and the Job Training Incentive Program;
- council-sponsored efforts to collect local-level jobs data and maintain an online repository for that data; and
- other job-related topics.

Lastly, the Jobs Council will consider options for institutionalizing the problem identification/solution process it initiated. It will also consider for endorsement proposed legislation related to job-creation programs, employment and job growth.

**Jobs Council  
2015 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 9	Santa Fe
July 6	Ruidoso
August 10	Deming
September 14	Albuquerque
October 23	Santa Fe
November 16	Santa Fe



# AGENDAS AND MINUTES



**TENTATIVE AGENDA  
for the  
FIRST MEETING  
of the  
JOBS COUNCIL**

**June 9, 2015  
Room 322, State Capitol  
Santa Fe**

**Tuesday, June 9**

- 10:00 a.m.        **Call to Order**  
—Senator Mary Kay Papen, President Pro Tempore of the Senate, Co-Chair  
—Representative Don L. Tripp, Speaker of the House, Co-Chair
- 10:10 a.m.        (1)    **Review of the Jobs Council's Process and Findings**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic Architecture  
—Charles Lehman, Program Consultant; Director, Employment and Economic Information Center of New Mexico
- 11:25 a.m.        (2)    **Previously Approved Jobs Council Initiatives**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic Architecture  
—Charles Lehman, Program Consultant; Director, Employment and Economic Information Center of New Mexico
- 12:25 p.m.        (3)    **Proposed Work Plan and Meeting Schedule**  
—Tessa Ryan, Staff Attorney, Legislative Council Service  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic Architecture  
—Charles Lehman, Program Consultant; Director, Employment and Economic Information Center of New Mexico
- 1:00 p.m.        **Adjourn**



**MINUTES  
of the  
FIRST MEETING  
of the  
JOBS COUNCIL**

**June 9, 2015  
Room 322, State Capitol  
Santa Fe**

The first meeting of the Jobs Council (council) was called to order by Senator Mary Kay Papen, co-chair, on June 9, 2015 at 10:04 a.m. in Room 322 of the State Capitol.

**Present**

Sen. Mary Kay Papen, Co-Chair  
Rep. Don L. Tripp, Co-Chair  
Vicente Alvarado  
Dale Armstrong  
Terry Brunner  
Jason Espinoza  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Tim D. Lewis  
Rep. Sarah Maestas Barnes  
Sen. Michael Padilla  
Alex O. Romero  
Sen. Mimi Stewart  
Sen. Pat Woods

**Absent**

Sec. Celina C. Bussey  
Rep. W. Ken Martinez  
Sen. George K. Munoz  
Sen. John C. Ryan  
Sen. Michael S. Sanchez

**Advisory Members**

Sen. Carlos R. Cisneros  
Rep. Stephanie Garcia Richard  
Rep. Bealquin Bill Gomez  
Rep. Larry A. Larrañaga  
Rep. Bill McCamley  
Rep. Debbie A. Rodella  
Rep. Patricia Roybal Caballero  
Sen. William P. Soules

Rep. David E. Adkins  
Rep. Cathrynn N. Brown  
Sen. William F. Burt  
Rep. Yvette Herrell  
Rep. Conrad James  
Sen. Howie C. Morales  
Sen. Steven P. Neville  
Rep. Monica Youngblood

**Guest Legislator**

Sen. Bill B. O'Neill

**Guest Member**

Barbara Brazil, Deputy Secretary, Economic Development Department (EDD)

**Staff**

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)  
Monica Ewing, Staff Attorney, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Tuesday, June 9**

Senator Papen welcomed the council. Representative Tripp acknowledged the council's successes during the previous two years. He highlighted legislation that the council unanimously approved during the 2014 interim, including an increase in funding for Local Economic Development Act projects.

**Review of the Council's Process and Findings**

Mark Lautman, lead program consultant to the council, reviewed the council's work during the 2013 and 2014 interims. He highlighted the overarching council goal of developing a plan and legislation to help the state return to its pre-recession employment levels by 2024. At its initial meetings in 2013, the council decided that it would use economic-base jobs — those connected to services or products that are sold out of state — as the primary job-creation metric.

Mr. Lautman said that beginning in 2014, public members and executive branch representatives joined the council because of the importance for the council's proposals to have broad support.

Referring to the "2013-2014 NM Job Creation Assessment Matrix" in his presentation materials, Mr. Lautman explained that the job-creation estimates developed in 2013 incorporate changes in population, unemployment levels and attrition. Considering those factors, the council determined that approximately 160,000 economic-base jobs would need to be created over the next 10 years in the state. The council and representatives from 13 employment sectors deliberated on the numbers of jobs that could be created within each sector, and those deliberations revealed that 162,000 jobs could be created over 10 years. Participants also considered factor-of-production gaps that inhibit the creation of economic-base jobs, and they identified the three biggest gaps for each employment sector.

During the 2014 interim, 16 deliberative sessions like those of the 2013 council were conducted in counties throughout the state. Representatives from five of the seven economic regions participated. In those sessions, it was estimated that fewer jobs would need to be created to return the state to full employment than had been estimated in the state-level deliberations. Mr. Lautman noted that a 2015 interim goal would be to engage the southeast and southwest

councils of governments, which have not yet participated in the deliberative process.

The council's 2014 work included the development of an online dashboard that shows the estimates arrived at through the council's and the local-level deliberations. Work on the dashboard is still in progress. Mr. Lautman said that when it is complete, and if the council wishes, local administrators would be able to modify regional estimates and data. The information on the dashboard would be accessible to any member of the public.

Steve Howe, consultant to the council, gave an overview of the dashboard using a live projection of the web site. He noted that the web site includes: a map of the web site; job-creation data by county, region and state; information about the council's membership, work and findings; reports of the council's 2013 and 2014 interim work; and legislation and initiatives considered or approved by the council.

Mr. Lautman said that one of the 2015 council's tasks is to determine the future maintenance and administration of the dashboard, which is currently handled by the Community Economics Lab, a nonprofit organization. Mr. Lautman said that the council could consider the councils of governments or the Economic Development Commission or the Tourism Commission — both of which are chartered by the state to perform planning functions — or a combination of those entities to perform the work.

A member asked when the section of the dashboard that shows procured jobs would be updated. Charles Lehman, consultant to the council, responded that the EDD, the Bureau of Business and Economic Research (BBER) and the Workforce Solutions Department would provide those data, which would be updated every year. Mr. Howe added that the objective is for the dashboard to show the most current jobs data available.

A member asked whether the council would inquire into the number of jobs that result from tax deductions and other state incentives aimed at employers. Mr. Lautman said that it is difficult to obtain reliable return-on-investment data on job creation and work force but that the inquiry could be made a part of the council's work.

Asked to summarize his professional background, Mr. Lautman said that he has practiced economic development in New Mexico for over 35 years, most recently as a consultant.

### **Previously Approved Council Initiatives**

Referring to the "2014-2015 Legislative Recommendations" in the presentation materials, Mr. Lehman provided an overview of the initiatives previously supported by the council. He noted that several appropriation-based initiatives were enacted, though in some cases the council had recommended more money than had been appropriated. He suggested that the council again consider endorsing appropriation initiatives for the benefit of local economic development cooperative programs; solo-work programs; science, technology, engineering and mathematics and middle school physics programs; forest restoration programs; and a work force gap analysis.

He added that new initiatives could be developed during the interim.

A member noted that the council had previously examined and could continue to examine broadband access. Another member requested that the council hear a report on the efforts of the several state agencies that are collaborating to expand broadband in the state.

Responding to a member's question, Mr. Lautman explained that the forest restoration program uses federal funding for thinning forests and identifying markets for the resulting biomass and that the EDD has been involved in forest restoration programs for several years.

The council unanimously agreed to continue work on legislative initiatives that were not signed into law during the 2014 or 2015 session.

### **Proposed Work Plan and Meeting Schedule**

Ms. Ryan presented the proposed council work plan and meeting schedule. She noted that the plan was developed in consultation with the council's co-chairs and contract staff.

The council's primary area of focus during the 2015 interim would be to address impediments to job creation. The council's work would include exploration of: economic development organizations; the state's visitor-driven economy; innovation-to-enterprise entrepreneurship; federally derived jobs; film and digital media jobs; agriculture and energy jobs; local economic resiliency; and attracting retirees to relocate to the state. With respect to each of those items, the council would work to address impediments and potential solutions to impediments while examining: marketing and sales apparatus capacity; real estate and infrastructure capacities and access to capital; work force, education and housing capacity; and leadership, organization and business climate.

Ms. Ryan said that the council would also receive testimony on economic-development and job-creation programs, data collection and the online dashboard and other topics. Lastly, it would determine how to institutionalize the council's job-creation process and consider for endorsement any legislation developed during the interim.

Ms. Ryan informed the council of the proposed meeting dates and locations.

Mr. Lautman said that when developing legislative proposals, the council would focus first on appropriation-based initiatives, if any, so that those requests could be timely considered during the budget development process. He said that outside of council meetings, the contract team would work with the two southern economic development districts to obtain job-creation data and have the other districts validate and refine their previously reported data.

Referring to the presentation materials, Mr. Lautman said that the council's work would be organized by 10 program "theaters". He defined a theater as a discrete area of economic-base job creation by similar organizations that use the same definitions and methods of calculating

returns on investment. The contract team proposed to hold statewide meetings at which each theater's stakeholders would deliberate and report on such topics as job-procuring agents, economic sectors and significant gaps in job-creation potential.

Mr. Lautman noted that retirement, an economic sector previously excluded from the council's considerations, was added to the list of program theaters. He said that retirees who move into New Mexico with pensions paid by out-of-state entities contribute to economic-base job creation in the state. Mr. Lautman informed the council that the findings of the statewide theater-focused meetings would be reported to the council.

A member requested that the council hear presentations from professionals with expertise in the factor-of-production gaps previously identified by the council. Mr. Lautman noted that presentations on work force, infrastructure, real estate and access to capital would be helpful. He added that, in part, the council and the contract team would gather information to develop proposals that address factor-of-production gaps. He emphasized the importance of identifying the job-creation potential associated with each proposal. Mr. Lehman suggested that information from a work-force-gap study being conducted could be used to identify worker or job-skill shortages in each theater.

A member asked about strategies used to recruit retirement facility developments to the state. Mr. Lautman responded that no particular strategy has been articulated but that the feedback from the statewide meetings could help to shape one.

A member questioned the population estimates in the data matrix. Mr. Lautman responded that local-level session participants arrived at those estimates, which would be reviewed by analysts and could be adjusted by the local participants.

Asked how the list of employment sectors was developed, Mr. Lautman said that he based them on the North American Industry Classification System. He commented that jobs data like those collected by BBER generally lack economic-base indicators and that economic-development professionals focus on the creation of economic-base jobs because service-sector jobs derive from them.

Another member asked whether the council would take into consideration the potential of new jobs to be filled by New Mexico residents and argued that residents should have opportunities to find work and stay in the state. Mr. Lautman noted the importance of expert input on work force gaps, particularly after the job-creation potential by job type is known. Another member stressed the importance of considering job duration and recommended that the council examine turnover in employment sectors.

A member suggested that the council consider endorsing a "ban the box" bill, which would disallow an employer from asking about felony convictions on an initial employment application and which was introduced during the 2015 session.

Mr. Lautman offered to separately brief new members on the council's previous work.

With no objection, the council adopted the work plan.

**Adjournment**

There being no further business before the council, the first meeting of the council for the 2015 interim adjourned at 1:21 p.m.

**TENTATIVE AGENDA  
for the  
SECOND MEETING  
of the  
JOBS COUNCIL**

**July 6, 2015  
Ruidoso Convention Center  
111 Sierra Blanca Drive  
Ruidoso, NM**

**Monday, July 6**

- 10:00 a.m.        **Call to Order**  
—Senator Mary Kay Papen, President Pro Tempore of the Senate, Co-Chair  
—Representative Don L. Tripp, Speaker of the House, Co-Chair
- 10:15 a.m.        **Welcome to Ruidoso**  
—Tom Battin, Mayor, Village of Ruidoso
- 10:25 a.m.        **Approval of Minutes from the June Meeting**
- 10:30 a.m.        (1) **[Background of the Jobs Council and Overview of Roundtable  
Deliberations](#)**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic  
Architecture  
—Charles Lehman, Program Consultant; Director, Employment and  
Economic Information Center of New Mexico
- 11:00 a.m.        (2) **[Roundtable Deliberations](#)**  
• Innovation-to-Enterprise Entrepreneurship  
• Solo Work Jobs  
• Attracting Retirees
- 12:30 p.m.        **Working Lunch**
- 1:15 p.m.        **Roundtable Deliberations (continued)**
- 4:00 p.m.        **Roundtable Reports**
- 5:00 p.m.        **Adjourn**



**MINUTES  
of the  
SECOND MEETING  
of the  
JOBS COUNCIL**

**July 6, 2015  
Ruidoso Convention Center  
Ruidoso**

The second meeting of the Jobs Council (council) was called to order by Representative Don L. Tripp, co-chair, on July 6, 2015 at 10:08 a.m. at the Ruidoso Convention Center in Ruidoso.

**Present**

Sen. Mary Kay Papen, Co-Chair  
Rep. Don L. Tripp, Co-Chair  
Vicente Alvarado  
Dale Armstrong  
Terry Brunner  
Jason Espinoza  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Sarah Maestas Barnes  
Alex O. Romero  
Sen. Mimi Stewart

**Absent**

Sen. Stuart Ingle  
Rep. Tim D. Lewis  
Rep. W. Ken Martinez  
Sen. George K. Munoz  
Sen. Michael Padilla  
Sen. John C. Ryan  
Sen. Michael S. Sanchez  
Eric Witt  
Sen. Pat Woods

**Advisory Members**

Rep. Alonzo Baldonado  
Sen. William F. Burt  
Rep. Kelly K. Fajardo  
Rep. Bealquin Bill Gomez  
Rep. Yvette Herrell  
Rep. Larry A. Larrañaga  
Rep. Bill McCamley  
Sen. Howie C. Morales  
Rep. Debbie A. Rodella  
Sen. William P. Soules  
Rep. Monica Youngblood

Rep. David E. Adkins  
Rep. Cathrynn N. Brown  
Sen. Carlos R. Cisneros  
Rep. Stephanie Garcia Richard  
Rep. Conrad James  
Sen. Steven P. Neville  
Rep. Patricia Roybal Caballero

**Guest Legislator**

Sen. Linda M. Lopez

**Staff**

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)  
Monica Ewing, Staff Attorney, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Monday, July 6**

Representative Tripp welcomed the council and other participants and introduced Tom Battin, mayor of the Village of Ruidoso, who delivered welcoming remarks. Mayor Battin thanked those present for visiting Ruidoso and highlighted some of the area's recreational opportunities. He said that affordable housing, access to water and underemployment are important issues in the community.

The council approved the minutes from its June meeting without objection.

**Background of the Jobs Council and Overview of Roundtable Deliberations**

Mark Lautman, lead program consultant to the council, provided an overview of the council's work since 2013 and said that during the next four meetings, participants would form small groups focused on the following topics: 1) economic development organizations; 2) the visitor-driven economy; 3) innovation-to-enterprise entrepreneurship and solo workers; 4) federally derived jobs; 5) film and digital media jobs; 6) agriculture and energy jobs; 7) local economic resiliency; and 8) attracting retirees.

Mr. Lautman explained that the group would divide that day into three discussion groups, one focused on solo work, another on innovation-to-enterprise entrepreneurship and a third on attracting retirees to the state. He said that solo work could be one of the state's fastest growing sectors, and he noted that the category includes any worker who works independently of others, often from home. He asked those in the retiree group to identify programs to support the growth of the retiree sector. He asked the innovation-to-enterprise entrepreneurship group to discuss ways that legislation could be used to stimulate innovation-to-enterprise entrepreneurship.

Mr. Lautman said that a group of interested persons, including the council's contract staff members, met before July 6 to discuss retirees, innovation-to-enterprise entrepreneurship and solo workers. He provided the members and participants with printed summaries of those discussions.

**Roundtable Deliberations**

The council and other participants divided into the three topic groups. Mr. Lautman instructed the groups to discuss the following with respect to each group's topic: 1) how the topic is defined and measured and whether new economic-base jobs can be created within it; 2) the relevant stakeholders and existing or potential job-procuring agents; 3) the relevant economic sectors within it; 4) the number of jobs that could be created; 5) the number of jobs and

transactions that could be procured by programs and the number of jobs and transactions that could be procured organically, i.e., without assistance of a program; 6) whether marketing and sales efforts have been scaled to the number of jobs that could be created; 7) whether there is land, building inventory, infrastructure and capital required to support the jobs that could be created, and if not, potential solutions to deficits; 8) whether there are qualified workers who could fill newly created jobs and, if not, potential solutions to deficits; and 9) whether there are gaps in leadership, plans, organizations and the business climate that would inhibit the creation of jobs and, if so, potential solutions.

Following deliberations, a representative from each group reported on the group's progress and discussion.

### Attracting Retirees

John Garcia, a public participant, reported that the retiree-focused group discussed issues that could encourage or prevent that population from choosing to retire in the state. The group noted that retirees consider a location's housing availability and tax policies when deciding where to retire. A group participant informed the group that New Mexico is one of just a few states that does not market itself to retirees. The group agreed that efforts should be made to target retirees from all levels of public employment. Further, it endorsed the idea of attracting early and gradual retirees who qualify also as solo workers.

Mr. Garcia said that the group discussed the importance of improved infrastructure, including broadband and medical facilities. The group agreed that retirees, in considering a location to retire to, generally weigh heavily the location's proximity to medical facilities.

Regarding sales and marketing efforts aimed at retirees, Mr. Garcia reported that the group discussed how the Tourism Department and the Economic Development Department (EDD) could be instrumental in developing strategies to recruit retirees. The group suggested that advertising in New Mexico Magazine and publications whose content is aimed at older people, like that of AARP, Inc., could help to draw retirees to the state.

### Solo Work

Paul Hamrick, a contract-staff person, reported on the solo-work group's discussion. He said the group had difficulty defining solo work, but it concluded that for its purposes, a solo worker is one who works from home and derives 51% or more of the worker's revenue from out of state. The category includes workers who "commute" to work via the internet.

Mr. Hamrick said that the group divided the solo-work category into three areas: 1) conversions, or workers who are not currently solo workers, but whose work could be changed to solo, economic-based employment; 2) recruitment of workers from out of state; and 3) start-up enterprises. The group estimated that the state could create approximately 600 solo-work jobs each year and that half of those jobs could be created in the middle region of the state: 150 through conversions; 100 through recruitment; and 50 through start-up enterprises.

While the group did not arrive at an estimated number of solo-work job "leads" in the state, it did agree that for the purpose of its solo-work discussion, a lead is a person with expertise who is interested in starting a business, but who has few or no contacts in the community to assist with that endeavor.

Mr. Hamrick reported that the group identified some impediments to solo-work job creation, and it developed a list of potential options to overcome those impediments. The group agreed that improving broadband infrastructure and the state's tax structure are measures key to solo-work job creation. It concluded that the Tourism Department could be instrumental in attracting solo workers. The group also discussed the possibility of establishing a formal solo-work job program to recruit or develop solo workers and to assist with start-up solo-work enterprises. A program like that could track the number of solo workers in the state and identify key resources and other factors important to solo workers' success. Lastly, Mr. Hamrick said that the group agreed that a five-year solo-work pilot program — possibly one that builds upon the pilot program in Sandoval County — could be developed to spur solo-work job creation.

#### Innovation-to-Enterprise Entrepreneurship

Dale Hendrickson, a contract-staff person, presented the report of the innovation-to-enterprise entrepreneurship group's work. He said that the group considered how a start-up enterprise is measured and recommended a collaboration with FatPipe ABQ and other business incubators to develop a metric. The group agreed that for the purpose of its discussion, an "enterprise" is a business that: 1) is in operation for at least three years; 2) has a valid state tax identification number; 3) has an annual revenue of at least \$300,000, half or more of which is derived from out of state; and 4) employs at least three people.

The group recognized that among the most significant concerns for job creation in this topic area are the state's geographic size and the significant distances between many of its cities and towns, which make travel and education challenging. Another concern is the lack of seed funding available for entrepreneurs to start or expand enterprises.

Mr. Hendrickson noted the group's conclusion that there should be better cooperation among the many programs that already support entrepreneurs. The group suggested that, with increased funding, the EDD could dedicate a staff person to the job of connecting entrepreneurs with resources. The group also agreed that improved tax structure and broadband infrastructure could help with job creation in this area.

#### **Discussion and Questions**

A member asked how many jobs could be created without improved broadband infrastructure. A participant responded that "broadband" should be carefully defined for the purposes of job creation discussions. He said that it is generally agreed that 10 gigabytes is necessary to qualify as sufficient broadband access. A council member recommended that the legislature or the council consider developing a definition for "broadband". Another participant

suggested that \$20 to \$50 million in capital outlay funding could be used each year to match federal funds for broadband improvements.

Regarding the recruitment of retirees as a strategy for job creation, a council member remarked that, in communities with a high proportion of retirees, those retirees often vote against measures that others would consider important, like school bonds.

Another participant said that one economic development strategy is to use federal funds from the federal Department of Defense to develop a diversification strategy that would support companies currently engaged in defense contract work. That support could help companies transition to work on other innovations and manufacturing once defense contracts expire.

The council agreed to continue to explore solo workers, innovation-to-enterprise entrepreneurship and attracting retirees to the state as job-creation strategies.

### **Adjournment**

There being no further business before the council, the second meeting of the council for the 2015 interim adjourned at 3:41 p.m.



Revised: July 27, 2015

**TENTATIVE AGENDA  
for the  
THIRD MEETING  
of the  
JOBS COUNCIL**

**August 10, 2015  
Mimbres Valley Special Events Center  
2300 E. Pine Street  
Deming**

**Monday, August 10**

- 9:00 a.m.           **Call to Order**  
—Senator Mary Kay Papen, President Pro Tempore of the Senate, Co-Chair  
—Representative Don L. Tripp, Speaker of the House, Co-Chair
- 9:10 a.m.           **Welcome to Deming**  
—Benny L. Jasso, Mayor, City of Deming
- 9:25 a.m.           **Approval of Minutes from the July Meeting**
- 9:30 a.m.           (1) **[Background of the Jobs Council and Overview of Roundtable  
Deliberations](#)**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic  
Architecture  
—Charles Lehman, Program Consultant; Director, Employment and  
Economic Information Center of New Mexico
- 10:00 a.m.          (2) **[Roundtable Deliberations — Tourism](#)**
- 12:00 noon          **Working Lunch**
- 12:30 p.m.          **Roundtable Deliberations (continued)**
- 1:30 p.m.           **Roundtable Reports**
- 2:00 p.m.           (3) **[Jobs Report from the Border Region](#)**  
—Jerry Pacheco, Executive Director, International Business Accelerator
- 2:45 p.m.           (4) **[Jobs Report from Spaceport America](#)**  
—Christine Anderson, Executive Director, New Mexico Spaceport  
Authority

3:30 p.m. (5) [Update on Previously Deliberated Topic Areas](#)

- Innovation-to-Enterprise Entrepreneurship
- Solo Work Jobs
- Attracting Retirees

—TBD

4:00 p.m. **Adjourn**

**MINUTES  
of the  
THIRD MEETING  
of the  
JOBS COUNCIL**

**August 10, 2015  
Mimbres Valley Special Events Center  
Deming**

The third meeting of the Jobs Council (council) was called to order by Senator Mary Kay Papen, co-chair, on August 10, 2015 at 9:12 a.m. at the Mimbres Valley Special Events Center in Deming.

**Present**

Sen. Mary Kay Papen, Co-Chair  
Rep. Don L. Tripp, Co-Chair  
Vicente Alvarado  
Dale Armstrong  
Jason Espinoza  
Rep. W. Ken Martinez  
Sen. George K. Munoz  
Eric Witt  
Sen. Pat Woods

**Absent**

Terry Brunner  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Tim D. Lewis  
Rep. Sarah Maestas Barnes  
Sen. Michael Padilla  
Alex O. Romero  
Sen. John C. Ryan  
Sen. Michael S. Sanchez  
Sen. Mimi Stewart

**Advisory Members**

Rep. Alonzo Baldonado  
Sen. Carlos R. Cisneros  
Rep. Kelly K. Fajardo  
Rep. Bealquin Bill Gomez  
Rep. Conrad James  
Rep. Bill McCamley  
Rep. Debbie A. Rodella  
Sen. William P. Soules

Rep. David E. Adkins  
Rep. Cathrynn N. Brown  
Sen. William F. Burt  
Rep. Stephanie Garcia Richard  
Rep. Yvette Herrell  
Rep. Larry A. Larrañaga  
Sen. Howie C. Morales  
Sen. Steven P. Neville  
Rep. Patricia Roybal Caballero  
Rep. Monica Youngblood

**Guest Legislators**

Rep. Dona G. Irwin  
Sen. Linda M. Lopez  
Sen. John Arthur Smith

**Guest Member**

Rebecca Latham, Secretary, Tourism Department

**Staff**

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)

Monica Ewing, Staff Attorney, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Monday, August 10**

Senator Papen welcomed the council. Benny L. Jasso, mayor of the City of Deming, also welcomed the council and said that Deming is working to bring growth and economic opportunities to its residents. Council members and meeting attendees introduced themselves.

**Background of the Jobs Council and Overview of Roundtable Deliberations**

Mark Lautman, lead program consultant to the council, reviewed the council's history and purpose. The council was formed in 2013 to identify a strategy to return the state to pre-recession employment levels. The council has used a "wisdom of crowds" approach, by which participants' knowledge and expertise are collectively considered to develop a strategy. Mr. Lautman said that the group that day would focus on the visitor-driven economy "theater", one of eight areas of economic-base job creation identified in the council's work plan.

Mr. Lautman said that the participants would divide into five groups, each focused on one of the following modes of tourism, to deliberate on the visitor-driven economy:

1. transit services, which includes visits by out-of-state residents who pass through New Mexico or make an overnight stop;
2. personal short term, which includes leisure visits to the state that last fewer than 30 days;
3. personal extended stay, which includes temporary or part-time residents who live in the state for fewer than eight months;
4. business short term, which includes business travelers in the state for fewer than 30 days; and
5. business extended stay, which includes out-of-state guest workers in the state for more than 30 days.

Mr. Lautman responded to several questions about the modes of tourism and reiterated that the council's work is focused on the creation of economic-base jobs or jobs that provide services or goods that are paid for by out-of-state consumers.

### **Roundtable Deliberations**

The council members and other attendees divided into five groups and deliberated on the following, with respect to each group's assigned mode of tourism:

1. definitions;
2. players and procuring agents, including organizations and businesses;
3. economic and industry sectors, which are the standard industry or occupational codes used in connection with the mode;
4. jobs that could be created;
5. program reliant, which is a consideration of whether programs are needed to increase visits or job creation in that mode; and
6. factors of production, including real estate, infrastructure, capital, work force, housing, community quality, leadership, organization climate and business climate needed for job creation.

### **Roundtable Reports**

#### Transit Services

A representative of the group reported that it identified a need for more tourism-related information at visitor centers and rest stops. Information, staff persons and possibly electric vehicle recharge stations available at travel centers and rest stops would make visitors passing through the state more likely to extend their visits. The group discussed the need for state investment in travel centers and rest stops.

The group generated other ideas to increase tourism within the "transit services" category. To increase awareness of New Mexico's appeal, schools could emphasize New Mexico's history, geography and culture. Further, the Department of Transportation and the Tourism Department could collaborate to promote the state through messages on off-highway electric signs not otherwise in use and through advertisements on commercial trucks. For the latter suggestion, the group proposed establishing a tax incentive. The group also suggested changing laws to: 1) require that lodgers taxes apply to nontraditional lodging arrangements like Airbnb; 2) improve the state's liquor control system; and 3) allow for transportation services like Uber to operate more freely.

#### Personal Short Term

A representative of the group reported the group's conclusions that: 1) with an increased tourism budget, the state could more pointedly advertise cultural experiences in New Mexico; 2) better training for hospitality industry professionals would improve visitor experiences and make return visits more likely; 3) hospitality-based businesses could use Job Training Incentive

Program funds to train their employees; 5) renovated historic motels and hotels would attract more visitors; and 6) the state should encourage communities to do cross-marketing.

The group identified the need for: 1) improved broadband access throughout the state; 2) improved location accuracy in services and electronic maps used by travelers; 3) more high-end resorts; 4) better air transportation; 5) more housing for those in the work force; 6) better public safety; and 7) improved roads and bridges. The group also identified a concern about the difficulties some travelers face in renting cars in New Mexico border towns and the resulting loss of car rental business to Texas.

#### Personal Extended Stay

A representative of the group reported that it defined the category as consisting of visitors whose stays last between 30 days and eight months. The group suggested marketing to avid bird watchers and to medical, educational, religious and fraternal organizations that organize conferences and conventions.

The group concluded that existing infrastructure could be improved to develop dude ranches and other attractions. The group noted deficiencies in some state locales in the areas of: 1) amenities, such as grocery stores; 2) broadband access; 3) medical services; and 4) transportation. The group stressed the importance of public-private partnerships and other arrangements that allow for the private use of public buildings.

#### Business Short Term

A representative of the group reported that its discussion focused on trade associations and business conventions and the unique activities that New Mexico offers to convention attendees. The group highlighted rafting as an activity to actively market. It recommended increasing the capacity and improving the quality of conference-space infrastructure to boost "business short term" tourism. It also identified the need for direct flights from major cities into the state and other concerns with air travel and ground transportation, including Uber.

Secretary Latham said that the Tourism Department operates grant-matching programs to help local governments market their destination to business travelers.

#### Business Extended Stay

A representative of the group reported that it discussed needs associated with industries, such as oil and gas. The group identified as primary concerns for those industries: 1) affordable housing; 2) 24-hour services for shift workers; and 3) broadband access. The group also discussed changes to the state's business climate that could encourage job creation, including changes to the liquor control laws.

### **Discussion of Metrics**

Dale Hendrickson, program consultant for the council, reviewed metrics data from several sources to show the relationships between: tourist visits and created jobs; and tourism investments and created jobs.

### **Follow-Up to the Previous Meeting**

A participant at the second council meeting noted that the group at that meeting focused on "attracting retirees" and suggested that the council consider legislation to establish a system to enable communities to become "certified retirement communities".

### **Jobs Report from the Border Region**

Jerry Pacheco, executive director, International Business Accelerator, and Chris Lyons, a developer working in the Santa Teresa area, presented information on job creation in the border region.

Mr. Pacheco said that Foxconn, an electronics manufacturing company across the border from Santa Teresa, produces as many as 50,000 Dell computers each day and will soon expand to include the manufacture of televisions. Many components are exported to companies like Foxconn from the United States, and New Mexico was ranked twenty-seventh among states for exports to Mexico. The Las Cruces, Farmington and Santa Fe metropolitan areas have shown significant increases in exports in the past few years. Most of the state's exports to Mexico are manufactured steel components, plastic injection components, packaging materials and other production inputs, but most of the recent job growth in these areas is related to manufactured steel components.

Referring to a map on page 4 of his presentation materials ("New Mexico's Border: Status, Vision and Action"), Mr. Pacheco noted that the state should strive to supply goods to maquiladoras located in the region on the map demarcated by shading, which is the region just south of the New Mexico-Mexico border.

The efficient transport of goods and supplies is an important feature of the manufacturing activity in the border region. Funding is needed to improve the area's roads.

Mr. Pacheco said that the lack of available industrial and commercial real estate is an obstacle to bringing businesses to Santa Teresa. Previous concerns with insufficient water pressure were addressed using Local Economic Development Act-appropriated funds.

Referring to page 6 of his presentation materials, Mr. Pacheco reported that approximately 4,000 direct jobs have been created in the Santa Teresa area. He added that many of the state's job-creation incentives are based on the hire of full-time employees, which encourages employers to hire permanent, not temporary, employees.

A pilot program aimed at reducing delays related to customs clearance has begun. The program provides for United States Customs and Border Protection agents on the Mexican side of the border to pre-clear products that will be transported across the border.

Mr. Pacheco described ongoing work to develop the San Jeronimo-Santa Teresa binational master-planned community. Both governments are in the process of compiling 10-year and 20-year growth figures to help with planning. Two hundred to 500 industrial jobs are being created annually in the Santa Teresa area. Workers have a wide range of housing options within the many Santa Teresa-area communities. Mr. Pacheco suggested that the state take measures to encourage Santa Teresa-area workers to buy homes in New Mexico.

Mr. Lyons presented information about the development of the binational community. He said that a pedestrian skybridge to connect Mexico and the United States is being constructed near San Diego, and a similar bridge could be used in the Santa Teresa area to connect commercial, educational and government facilities on both sides of the border.

Mr. Lyons said that Union Pacific plans to expand its rail services in a way that will make Santa Teresa a key port and a critical aspect of freight rail transportation between Los Angeles and the east coast. He added that improvements to Santa Teresa's utilities and airport are needed.

Regarding plans for residential development in Santa Teresa, Mr. Lyons described plans to develop walkable communities that include features like courtyards and commercial spaces.

A council member asked how Santa Teresa's economic activity relates to the council's goals. Mr. Pacheco replied that approximately 200 to 500 jobs are created annually in Santa Teresa and that, while the number consists of a mix of economic base and non-economic base jobs, the area's contribution to the state's employment profile is significant.

In response to other questions, Mr. Pacheco said that: 1) a majority of the \$1.5 billion worth of exports from New Mexico to Mexico are wholesale and fabricated steel goods; 2) New Mexico does not have enough workers trained in manufacturing; 3) he has worked with area high schools and community colleges to discuss education that features training for the types of jobs available in the area; and 4) employers in Santa Teresa have offered internships to high school students to provide training and work experience.

A member asked about the status of commercial development in Santa Teresa. Mr. Pacheco said that ground was broken three weeks ago in the industrial park, and a new company's arrival will soon be announced.

### **Jobs Report from Spaceport America**

Christine Anderson, executive director, Spaceport Authority, addressed economic activities at Spaceport America. She said that spaceport construction is complete and that she is focused on recruiting companies to add to the spaceport's two space-launch tenants and other

aerospace customers. Virgin Galactic is about a year behind schedule in its plans to launch space flights from the spaceport.

Ms. Anderson said that there are 11 spaceports in the nation. The most recently developed spaceport, which is in Texas, will be a significant competitor for Spaceport America.

The state invests \$463,000 each year into the spaceport, and Ms. Anderson reported some data on the return to the state on that investment, which totals \$9,556,000.

Ms. Anderson noted that several business and economic sectors are involved in the work of the spaceport, including aerospace, space launch and testing, satellite ground stations, unmanned aerial vehicle (UAV) testing, tourism, venue events, merchandise and sponsorship. She said that SpaceX and Armadillo Aerospace are working with the spaceport on space-launch testing, and the spaceport has entered a memorandum of understanding with X2nSat in connection with satellite ground stations. Agreements with several UAV clients are pending.

Spaceport tourism is an important part of the spaceport's operations. Visitors to the spaceport will be able to experience videos, interactive and educational exhibits, a G-shock simulator and more. The spaceport is also available for use as a special-event venue and for commercial photographic and video shoots. Ms. Anderson showed video examples of commercial shoots at the spaceport.

The spaceport is engaged in educational efforts, including a virtual classroom that provides a question-and-answer session with local students and field trips to the spaceport. The spaceport is also collaborating with university-level students on aerospace projects.

Ms. Anderson said that the spaceport would benefit from legislation that provides for public-private partnerships and that allows the spaceport to acquire a liquor license for corporate events.

Richard Holdridge, board member, Spaceport Authority, also addressed the council. He said that the spaceport's mission has evolved into something greater than simply a rocket launch site. He applauded Ms. Anderson's efforts to bring business to the state and to the spaceport, particularly following the delay in Virgin Galactic's activities.

In response to a member's question, Ms. Anderson said that all customers are welcome to fly from the spaceport, which currently has non-tenant customers.

A member inquired about the spaceport's need for a liquor license. Ms. Anderson said that the spaceport encounters difficulty when trying to use caterers that provide alcohol and that a change to the liquor-licensing laws to remedy the problem would be helpful.

In response to a question about transportation to the spaceport, Ms. Anderson said that as a result of the Federal Aviation Administration's environmental impact study, personal vehicles may not be used to visit the spaceport. Nevertheless, the spaceport will host an open house each year during which 100 cars will be allowed to drive to the spaceport.

A member expressed concerns with eventual maintenance expenses related to the spaceport, which is now 10 years old.

Ms. Anderson informed the council that the spaceport has hired a marketing professional and is considering subleasing parcels of land for hangars and other purposes. She also invited council members to visit the spaceport to see recent developments.

### **Adjournment**

There being no further business before the council, the third meeting of the Jobs Council for the 2015 interim adjourned at 4:47 p.m.

Revised: September 3, 2015

**TENTATIVE AGENDA  
for the  
FOURTH MEETING  
of the  
JOBS COUNCIL**

**September 14, 2015  
Carpenters Local Union Hall  
3900 Pan American Freeway NE  
Albuquerque**

**Monday, September 14**

- 8:30 a.m.           **Call to Order**  
—Senator Mary Kay Papen, President Pro Tempore of the Senate, Co-Chair  
—Representative Don L. Tripp, Speaker of the House, Co-Chair
- 8:35 a.m.           **Welcome to Albuquerque**  
—Maggie Hart Stebbins, Chair, Bernalillo County Commission
- 8:55 a.m.           (1) **[Background of the Jobs Council and Overview of Roundtable  
Deliberations](#)**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic  
Architecture  
—Charles Lehman, Program Consultant; Director, Employment and  
Economic Information Center of New Mexico
- 9:55 a.m.           (2) **[Roundtable Deliberations](#)**
- Federally Derived Jobs
  - Film and Digital Media Jobs
  - Economic Development Organizations
- 12:00 noon           **Working Lunch**
- 1:30 p.m.           **Roundtable Reports**
- 2:10 p.m.           **Approval of Minutes from the July and August Meetings**

- 2:15 p.m. (3) **Broadband Needs in Economic Development and Education**  
—Michael Archibeque, Chief Information Officer, Public Education Department (PED)  
—Gar Clarke, New Mexico Broadband Program Manager, Department of Information Technology  
—Robert Gorrell, Director, Public School Facilities Authority  
—Charles Lehman, Program Consultant; Director, Employment and Economic Information Center of New Mexico  
—Ferdinand Serim, Education Technology Director, PED
- 3:15 p.m. (4) **Legislative Initiatives for Job Creation**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic Architecture  
—Charles Lehman, Program Consultant; Director, Employment and Economic Information Center of New Mexico
- 4:45 p.m. **Adjourn**

**MINUTES  
of the  
FOURTH MEETING  
of the  
JOBS COUNCIL**

**September 14, 2015  
Carpenters Local Union Hall  
Albuquerque**

The fourth meeting of the Jobs Council for the 2015 interim was called to order by Representative Don L. Tripp, co-chair, at 8:45 a.m. on September 14, 2015 in the Carpenters Local Union Hall in Albuquerque.

**Present**

Rep. Don L. Tripp, Co-Chair  
Vicente Alvarado  
Dale Armstrong  
Terry Brunner  
Terri L. Cole  
Jason Espinoza  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Sarah Maestas Barnes  
Rep. W. Ken Martinez  
Sherman McCorkle  
Sen. George K. Munoz  
Sen. Michael Padilla  
Alex O. Romero  
Eric Witt  
Sen. Pat Woods

**Absent**

Sen. Mary Kay Papen, Co-Chair  
Rep. Tim D. Lewis  
Sen. John C. Ryan  
Sen. Michael S. Sanchez  
Sen. Mimi Stewart

**Advisory Members**

Rep. David E. Adkins  
Rep. Alonzo Baldonado  
Sen. Carlos R. Cisneros  
Rep. Kelly K. Fajardo  
Rep. Stephanie Garcia Richard  
Rep. Bealquin Bill Gomez  
Rep. Yvette Herrell  
Rep. Conrad James  
Rep. Larry A. Larrañaga  
Rep. Bill McCamley  
Sen. Howie C. Morales  
Rep. Debbie A. Rodella

Rep. Cathrynn N. Brown  
Sen. William F. Burt  
Sen. Steven P. Neville  
Rep. Monica Youngblood

Rep. Patricia Roybal Caballero  
Sen. William P. Soules

**Guest Legislators**

Rep. Patricia A. Lundstrom  
Sen. Linda M. Lopez

**Staff**

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)  
Mark Edwards, Drafter, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Monday, September 14**

Representative Tripp welcomed the council and participants. Maggie Hart Stebbins, chair of the Bernalillo County Commission, also welcomed those present and briefly summarized the county's efforts to recruit employers. The county is striving to recruit more high-salary employers like Sandia National Laboratories. Commissioner Stebbins said that science and technology employers, in deciding where to locate, focus on the "livability of communities", as quality-of-life amenities have become required elements for attracting high-end talent.

The council approved the minutes for its July and August meetings without objection.

**Background of the Jobs Council and Overview of Roundtable Deliberations**

Mark Lautman, lead program consultant to the council, discussed the origin of the Jobs Council and framed the day's agenda. The council was formed in 2013 with the mission to create a framework and process to sort out the job-creation priorities for the state. The goal was to develop a plan to foster a robust jobs market, return to pre-recession jobs levels and produce economic-base jobs in equal or greater proportion to pre-recession levels. "Economic-base" jobs are those that provide goods or services to out-of-state buyers and bring new money into the state's economy.

Mr. Lautman said that the council had previously identified several "theaters" of activity as priorities for job creation and that participants would break into discussion groups, each focused on one of these.

1. Federally derived jobs. This theater is focused on increasing the number of jobs paid for by the federal government, including private-sector jobs for federal contractors. Job creation

in this theater may be derived from established federal programs, such as the United States Department of Agriculture's school lunch program, and programs anticipating growth, such as federal health care programs pursuant to the Patient Protection and Affordable Care Act.

2. Film and digital media businesses. This theater includes the production and post-production of movies, television series and commercials and the emerging media development of entertainment, educational and business-related software and computer products.

3. Employer recruitment, retention and expansion. This theater is focused on attracting new companies or expanding current companies with at least 51% of their work force derived from economic-base jobs.

### **Roundtable Deliberations**

Mr. Lautman said that his staff had done preliminary run-through discussions of the three theaters in order to create a starting report for each. The council members and other attendees divided into multiple groups and were asked to deliberate on the following with respect to each group's designated theater:

1. definitions;
2. players, procuring agents and supporting players;
3. current job capacity and the potential of the players within each theater;
4. overlapping economic sectors covered by each theater;
5. economic-base jobs currently being created within a theater, to determine how many extra jobs would be created by additional investment;
6. adequacy of the market and sales operations;
7. available and needed hard assets, including investment capital, land, buildings and supporting infrastructure;
8. work force status, including current size and quality, and the recruitment and training necessary for expansion; and
9. state tax and regulatory requirements, examining what is necessary to compete with other states.

A council member remarked on the importance of accurately defining the scope of state investment and activity required for policymakers. Another member stated that all council proposals must be made with total consensus and noted as an example the council proposal to appropriate \$50 million to implement the Local Economic Development Act (LEDA).

### **Roundtable Reports**

#### Employer Recruitment, Retention and Expansion

A representative of the group highlighted particular elements of the initial staff report and noted additions that the group recommended be made under various categories: 1) "retention" activities are too often efforts aimed at businesses after they have decided to relocate out of state. State and local activities in this category need to include a proactive element that identifies

relocation potential earlier to avoid "crisis" reactions to employer decisions; 2) "key metrics" should include the quality and salary scale of the jobs being created; an additional metric under this category would be the jobs created by the capital investments made by new or expanding businesses; and 3) planning should include as integral "players and agents" local governments and private investor entities outside the banking industry.

The group also noted that this category is missing a "quality of life" element, particularly for small towns. The City of Pittsburgh's model for quality-of-life was suggested as a potential starting point for creating a metric for this consideration.

The group recommended two areas for legislative action: 1) rehabilitation and improvement of the road system in the southeastern portion of the state to retain and maximize oil production-related jobs; and 2) a local option for a dedicated gross receipts tax (GRT) for economic development organizations. The purpose of the GRT would be to hire additional professional marketers and recruiters and provide adequate office space for them.

#### Federal Government

A representative said the group recognized that, while the federal government has traditionally been a large employer within the state, reaching the potential of this theater depends on the ability of local communities to compete for government grants and agency locations. To assist local governments, the state could create an office of federal entrepreneurship that would: 1) identify developing plans for new agency centers and programs early in the federal process so that New Mexico localities could place themselves in a position to bid on them; 2) identify and propose needed state matching funds required for federal grants; 3) create a map of the procurement needs and processes of federal agencies, such as the U.S. Department of Defense, so that local businesses could anticipate contract bids; and 4) develop a coordinated plan, including a grant-writing team, to assist colleges in bidding for federal research programs.

#### Film and Digital Media

A group representative reported that the group agreed that a job-creation goal of approximately 11,000 additional jobs by 2025 was realistic. However, the group believed that the regional distribution in the staff report did not accurately reflect the theater's potential. Film industry jobs are tied to the production location, which varies from production to production. He said the group had identified areas in which the state could expand the indirect jobs created by film productions, which are increasing the local vendor base and building a fabrication industry. However, the way to maximize job creation would be to increase the number of film industry productions per year.

To attract more film productions and increase film-related jobs, the group recommended that: 1) the state reexamine the \$50 million cap on film production tax credits; 2) the number of staff members at the New Mexico Film Division increase; and 3) LEDA funding be made available for vendor training.

The representative reported that the group found the digital-media job sector and the related sector of post-production in the film industry to be more complicated. Digital media are a cluster-business sector that requires adequate capacity for information technology (IT), studio space and emerging mechanical engineering. The digital media center created in Austin, Texas, was offered as an example of how to develop a digital media cluster. It was founded on complementary services provided by the University of Texas and private businesses.

At the conclusion of the roundtable group reports, Mr. Lautman stated that, with the exception of the federal theater, most of the report development was finished. He said that the discussions would continue into November. He added that additional work was needed on the job projections from the agricultural and energy-extraction industries.

### **Broadband Needs in Economic Development and Education**

Robert Gorrell, director, Public School Facilities Authority, gave a presentation on the status of broadband infrastructure in the public school system. He said that 95% of the schools have been surveyed. Citing the figures on page 2 of the handout titled "Broadband Deficiencies Correction Program", Mr. Gorrell noted that the costs of internet access in schools throughout the state vary widely. That cost ranges from 60 cents per megabit per second (Mbps) to \$3,780 per Mbps. Currently, the average bandwidth for internet access per student is 90 kilobits per second (Kbps).

Mr. Gorrell said the public school system needs to get to a student average of 1,000 Kbps. Page 3 of his handout shows the network upgrades needed to reach the 1,000 Kbps standard. The needed upgrades range from 30% of schools needing wiring upgrades to 92% of schools needing wireless network upgrades. Mr. Gorrell stated that these upgrades are eligible for funding from the Federal Communications Commission category 2 E-rate program. The category 2 E-rate program may provide infrastructure subsidies to the state of up to \$150 per student every five years. Mr. Gorrell then noted various possible models to upgrade the public schools' broadband system outlined on page 6 of his handout. He said that a middle-range cost option could fill in the gaps between existing fiber networks and would cost approximately \$44.1 million.

Michael Archibeque, chief information officer, and Ferdi Serim, director of educational technology, Public Education Department (PED), presented on the PED's broadband goals and challenges. Mr. Archibeque articulated the department's goals: provide each school with 100 Kbps per student by 2016, rising to one Mbps per student by 2018; and achieve a systemwide three-to-one student-to-computer ratio by 2018. He said that the challenges to meet those goals include: 1) lack of broadband infrastructure in rural areas; 2) lack of IT support to upgrade and maintain internet systems; 3) the difficulty in providing on-site support in remote locations; and 4) lack of financial resources.

Mr. Serim remarked on an employer survey in which half of the respondents said that they need all of their work force to be computer literate. Mr. Serim highlighted that New Mexico, at 92%, led the nation in the percentage of students taking the Partnership for

Assessment of Readiness for College and Careers (PAARC) test online. He said that computer-based testing assumes that students are using computers for learning and that the PED has tailored its GenYes program toward the requirements of the PAARC. He said the IT challenge faced by the PED included: 1) 32 full-time-equivalent positions (64,000 hours) of school district staff time to prepare for online testing; and 2) that the PED established a "help desk" to support the schools but could only find 12 IT professional staff members to fill the 40 positions that were required.

Mr. Serim said that the lack of available professional IT staff is an ongoing problem for the public school system. Currently, schools are getting students to do their own IT work as a partial solution to the problem.

Gar Clarke, New Mexico program manager, Department of Information Technology (DoIT), and Charlie Ferrell, a member of the Public Regulation Commission (PRC) task force on communication technology, presented on the availability of broadband services in New Mexico. Mr. Ferrell stated that the current resources devoted to building statewide broadband infrastructure were inadequate and that the PRC is considering a fee on internet carriers to provide funding to build a broadband system.

Mr. Clarke outlined efforts taken by the DoIT to address broadband infrastructure needs in New Mexico. He said that the department received a grant from the National Telecommunications and Information Administration, completed in January 2015, to assist broadband development. The grant was used for mapping, planning and local technical assistance and capacity building.

Referring to two handouts ("New Mexico Broadband Program: State Broadband Initiative" and "Map Book: State Broadband Availability Anchor Institutions"), Mr. Clarke said that the DoIT is working on three regional implementation plans with the Northwest New Mexico Council of Governments, the Southwest New Mexico Council of Governments and a northeast economic development organization. It is using a collaborative approach involving many local and regional governmental agencies. The approach includes: 1) mapping the available broadband infrastructure at the state and local level; 2) providing initial technical assistance to local entities to engage in pilot projects that can be used as models for future work; and 3) developing a broadband education and training website. The DoIT proposes using libraries, educational facilities and health care facilities that are identified in the "Map Book" as having current broadband availability as "anchor institutions" to build out the broadband network.

Charles Lehman, Jobs Council program consultant and director of the Employment and Economic Information Center of New Mexico, provided the council with a survey of employers regarding the adequacy and importance of broadband services to their businesses. Mr. Lehman said that more than 43,000 jobs in New Mexico are connected to broadband service. He said that the need for broadband services cuts across all economic sectors and that nearly 40% of surveyed

businesses believe that the available service will be inadequate to meet their needs for at least the next three years.

The council then entered into a general discussion. A council member asked if the PRC should look at revisiting telecommunication regulations to increase incentives for the private sector to develop broadband infrastructure. Mr. Ferrell replied that a regulation incentive program might be useful in a large urban community with a competitive telecommunications market, but it might not work in more rural communities. Mr. Clarke remarked that private-sector network development might create proprietary issues among companies and between companies and public agencies. A council member noted that public-private partnerships (PPPs) could alleviate the propriety issues and build a lot of infrastructure. Mr. Clarke agreed with that point but said that isolated facilities, such as remote schools, do not lend themselves to a PPP solution.

### **Legislative Initiatives for Job Creation**

Mr. Clarke provided a five-year budget proposal for a statewide broadband program. The proposal is for: 1) \$650,000 per year to maintain office and staff for mapping and planning; 2) \$950,000 for the development of a regional and statewide engineering and technology plan; and 3) \$20 million a year for five years for construction of broadband infrastructure, with the goal of leveraging an additional \$20 million a year from private and federal sources. In the ensuing discussion, Mr. Clarke indicated that much of the proposal is a concept paper to give the council an estimate of the cost for a robust infrastructure program. However, he said, \$250,000 a year would be a minimum requirement to maintain program staff and some planning capacity.

The council then discussed a list of funding recommendations that the council previously approved, and it approved those recommendations going forward with the additions of: 1) a measure, which includes a \$250,000 appropriation, to introduce physics education in middle school; and 2) a \$950,000 appropriation for the DoIT to develop a statewide broadband engineering and technology implementation plan and initiate rural infrastructure construction. The council decided to forward the recommended list to the Legislative Finance Committee.

### **Adjournment**

There being no further business before the council, the fourth meeting of the Jobs Council for the 2015 interim adjourned at 4:15 p.m.



Revised: October 20, 2015

**TENTATIVE AGENDA  
for the  
FIFTH MEETING  
of the  
JOBS COUNCIL**

**October 23, 2015  
Jemez Rooms  
Santa Fe Community College  
Santa Fe**

**Friday, October 23**

- 9:00 a.m.           **Call to Order**  
—Senator Mary Kay Papen, President Pro Tempore of the Senate, Co-Chair  
—Representative Don L. Tripp, Speaker of the House, Co-Chair
- 9:05 a.m.           **Welcome**  
—Randy Grissom, President, Santa Fe Community College
- 9:20 a.m.           **Background of the Jobs Council and Overview of the Meeting Agenda**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic  
Architecture
- 9:30 a.m.           (1) **[Update on the Local Economic Development Act Program and the Job  
Training Incentive Program; Economic Development Department  
Legislative Initiatives](#)**  
—Jon Barela, Secretary, Economic Development Department
- 10:30 a.m.           (2) **[Regional Jobs Data and the Online Data Repository \(the Dashboard\)](#)**  
—Dale Hendrickson, Program Consultant
- 12:00 noon           **Overview of Roundtable Deliberations**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic  
Architecture
- 12:15 p.m.           (3) **[Roundtable Deliberations — Working Lunch](#)**  
• Metrics and Accountability
- 2:25 p.m.           **Roundtable Reports**
- 2:55 p.m.           **Approval of Minutes from the September Meeting**

- 3:00 p.m. (4) **Unemployment Insurance Benefits and Employer Costs**  
—Celina C. Bussey, Secretary, Workforce Solutions Department
- 4:00 p.m. (5) **Legislative Initiatives for Job Creation**  
—Charles Lehman, Program Consultant; Director, Employment and  
Economic Information Center of New Mexico  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic  
Architecture
- 4:20 p.m. **Adjourn**

**MINUTES  
of the  
FIFTH MEETING  
of the  
JOBS COUNCIL**

**October 23, 2015  
Jemez Rooms  
Santa Fe Community College  
Santa Fe**

The fifth meeting of the Jobs Council (council) was called to order by Senator Mary Kay Papen, co-chair, on October 23, 2015 at 9:25 a.m. at Santa Fe Community College (SFCC) in Santa Fe.

**Present**

Sen. Mary Kay Papen, Co-Chair  
Rep. Don L. Tripp, Co-Chair  
Dale Armstrong  
Terri L. Cole  
Jason Espinoza  
Rep. Roberto "Bobby" J. Gonzales  
Rep. W. Ken Martinez  
Sherman McCorkle  
Sen. Michael Padilla  
Alex O. Romero  
Eric Witt

**Absent**

Vicente Alvarado  
Terry Brunner  
Sen. Stuart Ingle  
Rep. Tim D. Lewis  
Rep. Sarah Maestas Barnes  
Sen. George K. Munoz  
Sen. John C. Ryan  
Sen. Michael S. Sanchez  
Sen. Mimi Stewart  
Sen. Pat Woods

**Advisory Members**

Rep. David E. Adkins  
Rep. Alonzo Baldonado  
Sen. Carlos R. Cisneros  
Rep. Kelly K. Fajardo  
Rep. Stephanie Garcia Richard  
Rep. Bealquin Bill Gomez  
Rep. Larry A. Larrañaga  
Sen. Howie C. Morales  
Rep. Debbie A. Rodella  
Sen. William P. Soules

Rep. Cathrynn N. Brown  
Sen. William F. Burt  
Rep. Yvette Herrell  
Rep. Conrad James  
Rep. Bill McCamley  
Sen. Steven P. Neville  
Rep. Patricia Roybal Caballero  
Rep. Monica Youngblood

**Staff**

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)  
Monica Ewing, Staff Attorney, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Friday, October 23**

Senator Papen welcomed the council and meeting attendees. Randy Grissom, president, SFCC, also gave a welcome. He said that SFCC focuses on entrepreneurship and invited attendees to tour the school's Health Sciences Center and School of Trades, Technology, Sustainable and Professional Studies, where businesses in the pre-commercialization stage are housed and supported.

**Update on the Local Economic Development Act (LEDA) Program and the Job Training Incentive Program (JTIP); Economic Development Department (EDD) Legislative Initiatives**

Jon Barela, secretary of economic development, discussed as follows the LEDA program, the JTIP and legislative initiatives that the department plans to pursue.

He said that 30 states use some form of closing fund, and he emphasized the importance of a closing fund for New Mexico. The department's goal is to maintain a \$50 million balance for LEDA projects. In 2015, the EDD held town hall meetings in five cities to inform communities about LEDA-related rules and to solicit input on improving the process for funding a project through the LEDA. The department will continue to exercise due diligence and focus on protecting tax dollars used for LEDA projects. In addition to the \$6.5 million already awarded for LEDA projects during the current fiscal year, additional money has been earmarked, but not yet awarded, for several projects. The department continuously updates its website with information about LEDA projects.

Secretary Barela recommended that the state maintain \$10 million in funding for the JTIP. He reported that the most common feedback he receives from companies interested in expanding in or relocating to New Mexico is that it is difficult to find and hire trained and skilled employees. Accordingly, the JTIP is a useful recruitment tool.

Secretary Barela said that the cultural properties tax credit was introduced to improve the incentive to renovate historic buildings in struggling rural areas. The department would like to expand the credit to allow a \$50,000 credit for the restoration of a building in a MainStreet district. He added that if the credit were refundable, it could benefit businesses that restore buildings but do not realize immediate profits from the restoration.

Another EDD proposal would provide for the creation of economic development zones. Secretary Barela said that other states create such zones in areas with high poverty, high

unemployment or other economic concerns. The proposal would provide for an up-to-10-year suspension of property tax on properties purchased or improved in an economic development zone. Another proposal would create a rapid work force development program to help companies that expand in or locate to the state. The program would provide money to post-secondary educational institutions for programs to train a work force. The department will request \$1.25 million for the program, which would be overseen by the secretaries of higher education, economic development and workforce solutions.

The department also plans to pursue legislation to provide tax relief for small business owners and legislation to appropriate \$2 million for a technology research fund.

Alan Martinez, deputy secretary, Veterans' Services Department (VSD), explained another piece of legislation that the VSD and EDD plan to pursue. It would create a tax deduction for uniformed-service retirees. The deduction would encourage trained and motivated military retirees to stay in the state. The average pay for a military retiree is \$25,000, and many retirees start businesses to supplement their income. Retaining those retirees in the state could boost the state's economy and job-creation efforts. Deputy Secretary Martinez added that surrounding states offer similar incentives; New Mexico is one of six states that do not.

Regarding the economic development zone proposal, a member asked whether property tax on improved structures could be imposed gradually over 10 years and at reduced rates, rather than imposing the full amount of tax after 10 years. Secretary Barela said that the EDD could consider that approach. Another member asked whether a fiscal impact analysis has been performed to determine how schools and local governments would be affected, and Secretary Barela said that an analysis has not been completed but that such information may be available from other states. In response to a member's question about the rapid work force development proposal, Secretary Barela said that the program's board would consider the pay rate of jobs to be created in deciding how to allocate money for training programs.

### **Background of the Jobs Council and Overview of the Meeting Agenda**

Mark Lautman, lead program consultant to the council, and Dale Hendrickson, program consultant to the council, gave an overview of the council and its work as follows.

The council includes legislators, private-sector representatives and cabinet secretaries because job creation involves collaboration among those leaders. The council's earlier work included a series of town hall meetings to assess job-creation needs statewide. The council aims to develop a framework to identify job-creation priorities and to ascertain the number of economic-base jobs needed, the sectors in which those jobs might be created and factors that could prevent the creation of those jobs.

During the 2015 interim, the council focused on economic theaters that include one or more sectors each. Each theater is a specialized area of economic-base job-creation program activity and responsibility and metrics to measure job creation in the theater. Mr. Hendrickson

briefly reviewed the theaters being examined by the council, including: solo work; start-up; visitor-driven jobs; employer recruitment, retention and expansion; film and digital media; federal government; agriculture; energy and extractives; and retirement.

Mr. Hendrickson reported the estimated numbers of jobs that would need to be created in each council of governments region by 2024 to return the state to pre-recession employment levels. He also noted the areas of the state in which the projected number of jobs created will likely fall short of the regions' needs. Mr. Lautman said that the estimates arrived at by the council and the various local governments have been reviewed by economic analysts.

The council and meeting participants discussed whether the state job-creation estimate should be adjusted based on local government revisions and review by economists. Mr. Lautman said that the most significant adjustment attributed to local government revision was in the Mid-Region Council of Government's estimates. A member noted that the Albuquerque-area estimates were adjusted in part because the attrition rate estimates were originally too high. Mr. Lautman said that further major adjustments could occur if the Las Cruces area's estimates are reviewed for accuracy. The council agreed without objection to adjust the estimate from 160,000 to 139,690.

### **Tourism Department (TD) and Job Creation**

Jim Orr, chief information officer, TD, spoke about tourism's importance to job creation. The TD's research into the topic has helped the department revise its approach to marketing the state. The research reports can be found at [www.nmtourism.org](http://www.nmtourism.org).

Mr. Orr presented a report on the economic impact of tourism and noted that visitor spending in 2014 totaled approximately \$6.1 billion, and those visits generated nearly \$8.6 billion in business sales. New Mexico ranks eighth among the states for private-sector tourism jobs.

In preparing its 2015 annual report, the TD examined awareness of New Mexico True advertisements in the five geographic markets targeted by the department. That examination revealed that the TD's advertisements are effective and that many people visited the state as a result of them. Mr. Orr said that the department's July 2015 study results show that for every dollar invested in advertisements, \$72.00 was generated.

### **Overview of Roundtable Deliberations**

Mr. Lautman reported that in 2014, the council identified a need for a metrics and accountability system to support the council's efforts. He referred to materials titled "Discussion Outline" and explained the day's roundtable deliberation plan.

Regarding the classes of metrics used to measure the effectiveness of a program, he said that return on investment and compliance with job-creation incentives are important analytics for

a program. He asked participants to deliberate on any concerns with putting such a metrics and analytics program in place.

Mr. Lautman explained that the Governmental Accounting Standards Board (GASB) Statement Number 77, "Tax Abatement Disclosures", established standards for government audits. The standards will require local governments to describe the rationale for any tax abatements and to track metrics or other factors established in a contract that features tax abatements. A local government's failure to comply with the standards could impair its bond rating.

The participants deliberated on the following proposition: "Why we need a more rigorous, comprehensive and transparent accountability and planning system". Each group reported on its deliberations, indicating that, of the 10 reasons proposed in the discussion outline, the second reason, "Needed for GASB Rule 77 compliance", should be ranked highest in importance. Participants also reported that better data are needed to accurately measure economic-base job creation and the effectiveness of economic development incentives. Mr. Lautman clarified that compliance with GASB Statement Number 77 would require a corporation to ensure that it is making full use of the financial incentives it negotiates with a government.

The participants next deliberated on the question, "What are the potential negative consequences of more comprehensive and rigorous metrics, accountability and planning?". A member said that it would be helpful to see a ranking of every state tax incentive along with information on how much each incentive costs the state and the number of jobs created as a result of each tax incentive. With that information, the state could determine which incentives offer the least return to the state. Those incentives could be eliminated, and money dedicated to them could be reinvested into the more effective incentive programs.

Mr. Lautman said that incentives should be used to encourage job creation by businesses that would not create jobs without an incentive. Mr. Lautman suggested that economic-base job-creation data could be collected from employers when they file Combined Reporting System forms with the Taxation and Revenue Department. In addition to revealing whether programs targeted at economic-base job creation are effective, the state could learn whether certain businesses with non-economic-base employees could be converted to economic-base employers.

Regarding how agriculture jobs can be measured, Mr. Lautman said that almost all ranchers and farmers are economic-base employers because their products are consumed by people outside of the ranchers' and farmers' local areas.

Mr. Lautman acknowledged the possibility that employers would be hesitant to provide employee data, particularly if the data reporting process is cumbersome. For this reason, he said, the metrics system should be designed with input from affected businesses.

A participant said that a best-practices model for accountability standards can be found in Washington State's program.

### **Unemployment Insurance Benefits and Employer Costs**

Celina C. Bussey, secretary of workforce solutions, presented an update as follows on the state's unemployment insurance system.

Secretary Bussey gave statistics on the number of people receiving unemployment insurance benefits and the number of experience-rated employers in the state. She said that the balance of the Unemployment Compensation Fund, as of October 20, 2015, was \$216,324,844.05. The number of initial claims for benefits filed each week, at about 1,000, remains constant, even when the unemployment rate fluctuates.

The Unemployment Compensation Fund was the healthiest such fund in the country in January 2008, with a balance of over \$550 million. During the recession, the fund balance was significantly reduced, but unlike other states, New Mexico did not borrow money to stabilize the fund.

Secretary Bussey said that 42.8% of claimants exhaust their total benefit eligibility. New Mexico's "exhaustion rate" is the twelfth highest in the country. Secretary Bussey explained an employer's taxable-wage base as it applies to unemployment insurance. The base is established by formula and has increased annually approximately \$100 to \$200 in recent years. For 2015, employers pay their unemployment insurance tax rate on the first \$23,400 of each employee's earnings only. She provided examples of annual per employee amounts paid by employers with the minimum and maximum tax rates and said that employers with minimal or no interaction with the system pay lower rates.

Unemployment insurance tax is calculated using a rating system and a formula that is established in law. The benefit charges against an employer's unemployment insurance account for the previous three years affect the calculation. Because many employers' accounts were charged heavily in 2011 due to economic strain, those employers' tax rates were affected for several years. She explained that beginning with 2016, the 2011 benefits charges will no longer be used to calculate the 2016 tax rates.

Secretary Bussey also explained that tax rates are calculated using a "reserve factor" multiplier. The factor used in a given year is determined by law and is based on the health of the fund. Although some will experience an increase in 2016, several industries will see an overall decrease in their average tax rates. Secretary Bussey provided information about the change in tax rates between 2015 and 2016, categorized by industry type and employer size. She noted that unemployment insurance tax rates directly reflect the size of an employer's payroll, so a business's liability increases as the number in its work force increases.

Secretary Bussey said that her department held a stakeholders' meeting during 2015 to hear concerns about the program and to explain the reason an employer could see tax rate changes in 2016.

In response to a member's question about safeguards to keep the fund stable during any future economic downturns, Secretary Bussey said that the fund is currently healthy enough to withstand a downturn. The state previously chose to manage the struggling fund without federal assistance to avoid incurring debt to the federal government. She added that when the fund reaches approximately \$400 million, it could support 18 to 24 months of benefits payments without any additional revenue.

When asked whether the department has considered reducing the reserve factor multiplier, Secretary Bussey responded that the use of a reserve factor of four was instituted in 2015 based on the actuarial principles provided in statute and rule. Use of those same principles will result in a decrease in the reserve factor in 2017, even though the fund's balance is not projected to reach \$400 million by that time.

In response to a question about how the department communicates with employers, Secretary Bussey said that the Workforce Solutions Department has a communication plan that includes communicating insurance tax rate changes to employers.

In response to another question, Secretary Bussey said that the fund could reach \$400 million within three to four years. She added that the solvency of the fund is the most important issue and that the department and the federal Department of Labor have confirmed that the actuarial principles are sound.

A member asked whether the state is attempting to increase the balance of the fund too quickly. Secretary Bussey responded that her department is obligated to implement the existing laws related to the fund and that it would implement any changes to those laws that slowed the accumulation of money in the fund.

### **Legislative Initiatives for Job Creation**

Charles Lehman, program consultant to the council, referred participants to a chart titled "Council Approved". He said that it showed all of the initiatives that the council has approved and two proposals for additional funding: one for the JTIP and a second for WorkKeys assessments. He proposed that the council consider a third proposal: for the EDD's rapid work force development program based on the EDD's presentation earlier in the day.

A member reminded the council that it had also discussed the need for broadband access throughout the state. Mr. Lehman said that the proposal approved by the council includes an implementation program by which commercial, education and other needs are assessed and identified, with the ultimate goal of preparing regional broadband plans for every council of governments region. Mr. Lautman reiterated that the council decided to support a proposal to

develop a plan to improve broadband infrastructure. A member suggested that local chambers of commerce be consulted in the plan development.

A member suggested that finalized legislation proposals be submitted to the council and to the Science, Technology and Telecommunications Committee for possible endorsement prior to the 2016 legislative session. Another member suggested that public-private partnerships might be a useful tool when broadband infrastructure is constructed. A member noted that if implementation of the broadband plan is not mandatory, it is possible that it will not be successful in every community.

The council approved without objection the three additional proposals described by Mr. Lehman. The council also approved without objection the council's pursuit of metrics development for job-creation initiatives.

### **Adjournment**

There being no further business before the council, the fifth meeting of the Jobs Council for the 2015 interim adjourned at 4:52 p.m.

Revised: November 12, 2015

**TENTATIVE AGENDA  
for the  
SIXTH MEETING  
of the  
JOBS COUNCIL**

**November 16, 2015  
Room 307, State Capitol  
Santa Fe**

**Monday, November 16**

- 9:00 a.m.           **Call to Order**  
—Senator Mary Kay Papen, President Pro Tempore of the Senate, Co-Chair  
—Representative Don L. Tripp, Speaker of the House, Co-Chair
- 9:05 a.m.       (1)   **Summary of Jobs Council's Interim Work; Institutionalizing the Jobs Council Process**  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic Architecture  
—Charles Lehman, Program Consultant; Director, Employment and Economic Information Center of New Mexico
- 10:40 a.m.       (2)   **Tourism Department Initiatives**  
—Rebecca Latham, Secretary, Tourism Department  
—Jen Schroer, President and Chief Executive Officer, New Mexico Hospitality Association
- 11:00 a.m.       (3)   **Report on Education and the Work Force**  
—Dr. Barbara Damron, Secretary, Higher Education Department
- 11:45 a.m.       (4)   **Work Force Gap Study Pilot Program**  
—Charles Lehman, Program Consultant; Director, Employment and Economic Information Center of New Mexico
- 12:00 noon       **Lunch**
- 1:15 p.m.       (5)   **Economic Development Programs of Los Alamos National Laboratory (LANL) and Sandia National Laboratories (SNL) — Small Business Tax Credit Update**  
—Micheline Devaurs, Program Manager, Market Transition, LANL  
—Jackie Kerby Moore, Manager, Technology and Economic Development, SNL

- 2:15 p.m. (6) [Advisory Council on Workers' Compensation and Occupational Disease Disabling \(ACWCODD\) — 2016 Legislative Agenda](#)  
—Kevin J. McGinley, Chair, ACWCODD  
—James Magoffe, Vice Chair, ACWCODD
- 3:15 p.m. **Approval of Minutes from the September and October Meetings**
- 3:20 p.m. (7) [Growing the Agricultural Sector: The Impact of Agriculture on New Mexico's Economy; Challenges in Agriculture; Right to Farm; Regulation Challenges, Labor Issues and Operation Costs; Boots on the Ground Tour](#)  
—Jeff M. Witte, Director/Secretary, New Mexico Department of Agriculture  
—Dr. Jim Libbin, Interim Dean, College of Agriculture, Consumer and Environmental Sciences, New Mexico State University  
—Greg Carrasco, Vice President and Branch Manager, Farm Credit of New Mexico  
—John DeRuyter, Owner/Operator, Mountain View Dairy; Director, Dairy Producers of New Mexico  
—Duane Gillis, Owner, Gillis Farms; Owner, Desert Springs Produce  
—Craig Ogden, Co-Operator, Lookout Farms; Vice President, New Mexico Farm and Livestock Bureau
- 4:20 p.m. (8) [Proposed Legislation: Rural Infrastructure Tax Credit; Scenic Byways Program Appropriation](#)  
—Representative Patricia A. Lundstrom
- 4:50 p.m. (9) [Legislative Initiatives Update](#)  
—Mark Lautman, Lead Program Consultant; Director, Lautman Economic Architecture  
—Charles Lehman, Program Consultant; Director, Employment and Economic Information Center of New Mexico
- 5:00 p.m. **Adjourn**

**MINUTES  
of the  
SIXTH MEETING  
of the  
JOBS COUNCIL**

**November 16, 2015  
Room 307, State Capitol  
Santa Fe**

The sixth meeting of the Jobs Council (council) was called to order by Representative Don L. Tripp, co-chair, on November 16, 2015 at 9:09 a.m. in Room 307 of the State Capitol.

**Present**

Sen. Mary Kay Papen, Co-Chair  
Rep. Don L. Tripp, Co-Chair  
Dale Armstrong  
Terri L. Cole  
Jason Espinoza  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Sarah Maestas Barnes  
Rep. W. Ken Martinez  
Sherman McCorkle  
Terry McDermott (for Terry Brunner)  
Sen. George K. Munoz  
Sen. Michael Padilla  
Alex O. Romero  
Sen. Michael S. Sanchez  
Eric Witt

**Absent**

Vicente Alvarado  
Rep. Tim D. Lewis  
Sen. John C. Ryan  
Sen. Mimi Stewart  
Sen. Pat Woods

**Advisory Members**

Rep. David E. Adkins  
Rep. Alonzo Baldonado  
Sen. Carlos R. Cisneros  
Rep. Kelly K. Fajardo  
Rep. Stephanie Garcia Richard  
Rep. Bealquin Bill Gomez  
Rep. Conrad James  
Rep. Larry A. Larrañaga  
Rep. Bill McCamley  
Rep. Debbie A. Rodella

Rep. Cathrynn N. Brown  
Sen. William F. Burt  
Rep. Yvette Herrell  
Sen. Howie C. Morales  
Sen. Steven P. Neville  
Rep. Patricia Roybal Caballero  
Sen. William P. Soules  
Rep. Monica Youngblood

## **Guest Legislators**

Rep. Jimmie C. Hall

Rep. Patricia A. Lundstrom

## **Staff**

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)

Monica Ewing, Staff Attorney, LCS

## **Minutes Approval**

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

## **Guests**

The guest list is in the meeting file.

## **Handouts**

Handouts and other written testimony are in the meeting file.

## **Monday, November 16**

### **Summary of Jobs Council's Interim Work; Institutionalizing the Jobs Council Process**

Mark Lautman, director, Lautman Economic Architecture, reviewed the council's 2015 interim goals. The council chose to focus during 2015 on: developing a process for prioritizing economic development initiatives; assessing the number of new jobs needed to return the state to economic health; and identifying a legislative agenda for the 2016 legislative session.

Mr. Lautman introduced the other members of the council's contract team, Charles Lehman, director, Employment and Economic Information Center of New Mexico, Paul Hamrick and Dale Hendrickson, and noted that much of the contract team's work during the interim was conducted in 24 meetings throughout the state. Mr. Lautman reported that the contract team collected job-creation data for every county in the state in those meetings, but added that the data are more reliable for some counties than for others.

Mr. Lautman said that the creation and preservation of economic-base jobs is the most important economic activity in the state. When the state makes economic development investments, it should consider whether those investments will support the creation and preservation of economic-base jobs, he said.

The council agreed on criteria to analyze proposed economic development and job-creation legislation. The criteria require consideration of whether the policy: is necessary for job creation; proposes to create jobs within three to five years; has the council's unanimous support; has bipartisan support in both houses of the legislature; and has support from the executive branch and constituents. Policies that meet all of those criteria are more likely to become law

and lead to job creation.

A council member asked about the reliability of data compiled by the contract team. Mr. Lautman explained that certain regions of the state conducted meetings without representation from the contract team and the discussions at those meetings and the data that resulted differ from data collected in other regions. He added that major policy changes should not be based solely on regional jobs data and that further data collection is needed.

A member expressed support for the online dashboard tool developed by the contract team and asked when data on created jobs would be reported on it. Mr. Lautman said that it can be difficult to measure newly created jobs and a system to ensure reliable reporting is needed. He added that he has begun work with the Workforce Solutions Department (WSD), the Economic Development Department (EDD) and local organizations to compile data on jobs that have been created.

A member emphasized the need for infrastructure improvement, and Mr. Lautman agreed that many areas of the state report that the lack of broadband infrastructure is a major impediment to job creation.

A member asked about the basis for the council's job-creation target. Mr. Lautman responded that the council worked to gather job needs estimates from each area of the state and compiled those estimates. Mr. Lehman added that the rate of unemployment varies throughout the state and that variation was considered in developing job-creation estimates for each region.

Mr. Lautman said that the state needs to create approximately 14,000 jobs each year over the next 10 years, and 10,000 of those 14,000 jobs are at risk of not being created without additional support from the state. He noted that significant job creation is possible through employer recruitment, retention and expansion in the state, but that this pursuit will require additional funding and economic development staff statewide.

Mr. Lautman presented a chart that shows the job-creation program "theaters" listed by the number of jobs that estimates suggest could be created in each theater. He noted that the listing provides information about the relative importance of each theater and of supporting job creation in each of those theaters.

In response to Mr. Lautman's statement that it is difficult to identify obstacles to job creation in the agriculture industries, a member said that it is possible that representatives of those industries would be able to provide information. Mr. Lautman agreed and added that a primary concern is how to allocate funding or program support to remedy obstacles that are identified by business owners.

Mr. Lautman said that Mr. Hamrick has been surveying the economic development organizations throughout the state to identify those organizations' capacities and needs. The

results of those surveys were presented in a chart on page 50 of Mr. Lautman's presentation materials. A member asked whether the figures on the chart represent annual data. Mr. Hamrick confirmed that the data represent annual figures.

### **Tourism Department (TD) Initiatives**

Rebecca Latham, secretary, TD, reported that the state has experienced significant growth in tourism in the past five years. A recent economic impact study revealed that in 2014, tourism drove job growth in New Mexico and that one in 12 jobs in the state is supported by visitor spending. There has been a 4.2% increase in direct employment supported by visitor spending since 2011.

Secretary Latham said that the tourism dollars spent in the state in 2014 produced \$609 million in local and state tax revenue, which offsets the household tax burden for New Mexicans. She added that 2014 is the fifth consecutive year during which visitor spending has increased and that growth is driven by leisure travel. Seventy percent of visitors to New Mexico in 2014 were from other states. The amount of money the state spends on advertising the state to potential travelers relates directly to the visitor dollars spent in the state each year.

Over the summer, the TD conducted a return on investment study, which included a survey to determine participants' impressions of New Mexico as a potential place to start a business, live, visit or retire. The survey results showed that many of the participants who reported positive impressions of the state were also familiar with the department's New Mexico True advertisements.

Secretary Latham said that the department will request an additional \$4.7 million for fiscal year 2017. The additional money will be used to support advertising in existing markets and to expand advertising efforts into San Francisco, which is attractive in part because direct flights between New Mexico and San Francisco are available.

Jen Schroer, president and chief executive officer of the New Mexico Hospitality Association (NMHA), said that one of the most important factors of production for the hospitality industry is the need for vocational training for tourism-related jobs. There are hospitality programs at Central New Mexico Community College (CNM), Santa Fe Community College, New Mexico State University (NMSU) and Eastern New Mexico University that are training graduates to be managers in that industry. The association would like to develop a statewide program to teach about the state's branding and about how to communicate with visitors about area activities and the state's visitor's bureaus. CNM and NMSU are interested in developing such a program.

Ms. Schroer said that the NMHA will request an appropriation of \$300,000 during the 2016 session to fund the development of the hospitality vocational training programs.

In response to a member's question about tourism-related job creation, Secretary Latham

said that the department considers the number of hospitality and leisure jobs compared with the number of jobs that are supported by visitor spending. She noted that every restaurant job is not funded entirely by tourism, but many of those jobs are supported by visitors. She said that the department expects to deliver a seven-to-one return on investment based on its measurement of growth of the New Mexico True campaign, which grew from a return of three-to-one to the current return of seven-to-one.

A member noted the importance of visitors' first impressions of the state and the prominence of road conditions in forming those impressions. The member said that the Department of Transportation (DOT) historically had approximately \$2 million in its budget for road beautification programs like "Toss No Mas". He added that he understands that the DOT has issued only two \$300 littering fines in its history, so enforcement of littering laws could be an issue. Secretary Latham agreed that visitors' impressions of roads is important and said that the department runs a program called New Mexico Clean and Beautiful, which provides money to communities and nonprofit organizations for litter eradication and beautification.

Another member remarked on the significant gross receipts tax revenue increase that coincides with the success of the New Mexico True campaign. He said that the budget increase requested by the TD is small in comparison. Secretary Latham added that New Mexico is under-spending on tourism marketing compared to its competitors. The member recalled that many visitors from Chihuahua, Mexico, come to the state to ski and suggested that advertising in that market could be productive.

Another member expressed support for marketing in the San Francisco area because of New Mexico's focus on supporting start-up businesses. Ms. Schroer said that initially the TD or the WSD would facilitate the hospitality vocational training program and the NMHA would be involved.

A member suggested that New Mexico focus on marketing the state as a conference destination.

In response to a question about the TD's work in rural communities, Secretary Latham said that rural communities can use department grants and sponsorships, in addition to the New Mexico True campaign, to market their communities. Regional marketing boards in the state also participate in marketing smaller and rural communities.

In response to a question about the department's choice to expand marketing to San Francisco in 2016, Secretary Latham said that it will be more difficult to access that market by 2018 and that the benefit of advertising there is expected to level off in the next several years. She added that if the legislature is unable to appropriate the \$4 million, the department would continue to strengthen the markets in which it currently advertises.

## **Report on Education and the Workforce**

Dr. Barbara Damron, secretary of higher education, described the Higher Education Department's (HED's) long-term vision as one that values cohesion among institutions of higher education, between public education and higher education and between educational institutions and the workforce. To achieve that cohesion, she said, the HED will focus on creating consistency in credit hour requirements for undergraduate degrees and on aligning credit transfers from community colleges to universities. The department will also emphasize college preparation programs in high schools and the expansion of work opportunities for students. Loan repayment assistance will also be used to encourage employment in hard-to-fill jobs.

Secretary Damron said that coordination between employers and educational institutions is important to improving workforce outcomes. She highlighted the Innovation Academy at the University of New Mexico (UNM) and employment programs established at Clovis Community College, CNM and Doña Ana Community College. She also noted that proposed legislation — the Rapid Workforce Development Fund — would encourage collaboration between the HED and other departments to create education programs to quickly fill employers' workforce needs.

Secretary Damron also reported that the governor asked the WSD and the HED to develop an internship portal that will help college students identify and fill paid internships in the state and that the HED is studying employment outcomes for New Mexico's college graduates. Secretary Damron said that 80% of nursing baccalaureate graduates from New Mexico institutions find full-time employment in the state within the first year of graduating. Fifty-one percent of business baccalaureate graduates are employed full-time within a year of graduating. She added that dashboard resources are being developed to provide users with information about employment and salaries for graduates from various college programs.

Secretary Damron reported that the state is over- and under-producing graduates in many fields. The HED has collaborated with the National Center for Higher Education Management Systems to develop a workforce gap model. The model provides a visual representation of the market demand for several occupations and the average salaries for those occupations. The department will continue to refine, update and expand that model as part of a multistate project intended to effectively link higher education to the workforce and economic development.

A member expressed interest in the workforce gap model and asked for a spreadsheet representing the same information. Secretary Damron agreed to provide the information and said that the department is revising its website to include the workforce gap model information.

A member asked whether the HED has data on jobs that require two-year certificates or brief training courses rather than four-year degrees. Secretary Damron said that the department does not have that type of data, but that it could be gathered and provided.

Another member expressed support for the HED's work, but noted that it is important that the state's universities do not become focused only on producing graduates for specific jobs and

that they retain flexibility in the education they offer.

In response to a member's question, Secretary Damron said that the HED's focus on science, technology, engineering, mathematics and health (STEM-H) relates to both four- and two-year institutions.

### **Workforce Gap Study Pilot Program**

Mr. Lehman told the council that, as reflected in his report titled "Workforce Gap Study Pilot Eastern Regional Board Preliminary November, 2015", the southeast part of the state is experiencing higher demands for health care workers, truck drivers, welders, electricians, construction workers and teachers. He said that with some funding, the information in his study and information available from state agencies could be combined to provide a comprehensive perspective on the state's workforce assets and needs.

Mr. Lehman explained that his report includes information on the workforce population in the southeastern part of the state along with workforce needs estimates, employer information, job vacancies and education and salary data.

### **Economic Development Programs of Los Alamos National Laboratory (LANL) and Sandia National Laboratories (SNL) — Small Business Tax Credit Update**

Genaro Montoya, program leader for the New Mexico Small Business Assistance Program (SBA), SNL, informed the council that prior to 2000, federal funds were available for small business initiatives; however, the same level of funding is no longer available. His program's goal is to assist small businesses by using the laboratories' resources. The program receives requests for the laboratories' assistance from small businesses, and the program aims to provide assistance — in the form of laboratory and technical expertise and consultation — that is not already available on the market to ensure that the program does not compete with other small businesses. The laboratories are authorized to provide \$10,000 to \$20,000 worth of assistance, depending on the small business recipient's location.

Mr. Montoya explained that the laboratories each receive \$2.4 million in gross receipts tax credits in exchange for the assistance they provide to small businesses. The laboratories report the assistance they provide to the EDD, and they prepare annual reports for the Taxation and Revenue Department and the EDD.

Micheline Devaurs, program manager of market transition for LANL, said that LANL joined the program in 2007. The program report shows that \$43.7 million worth of assistance has been provided and over half of the businesses that received assistance are from rural areas of the state. Ms. Devaurs highlighted a Santa Fe start-up business served by the program. The business — Pharma Connect Xpress — sought to develop innovative software to assist health care providers in communication with the pharmaceutical industry.

Jackie Kerby Moore, manager of technology and economic development, SNL, reported that she has been in charge of the SNL program for 15 years. She said legislators often ask about how to help the program, and she has discussed the possibility of starting a technology maturation program. The program would create a public-private partnership that would allow for New Mexico small businesses to license technologies from the laboratories or universities and receive assistance — anywhere from \$50,000 to \$250,000 per project — from the program to mature the licensed technology into a market-ready product. She suggested that the program be initiated with \$2.5 million per year for five years and that a program evaluation be performed after the fifth year to determine its efficacy.

A member expressed interest in the maturation program and asked that she present the idea to the Revenue Stabilization and Tax Policy Committee.

In response to a member's question, Mr. Montoya said that the program consults with an advisory council with respect to each project the program proposes to assist. The advisory council is composed of venture capital investors and angel investors. Ms. Moore added that the state's SBA has become a model for other states.

In response to a member's question, Ms. Moore said that the kind of technology that could be licensed as part of the maturation program could be, for example, a technology patented by a professor at one of the state's universities.

#### **Advisory Council on Workers' Compensation and Occupational Disease Disablement (ACWCODD) — 2016 Legislative Agenda**

James Magoffe, safety manager, Yearout Mechanical, told the council that he has been on the ACWCODD working on workers' compensation legislation for two years. He reported that the ACWCODD has worked diligently to prepare legislation.

Kevin J. McGinley, chair, ACWCODD, reviewed the statutorily based mission of the Workers' Compensation Administration (WCA) and the mission of the ACWCODD. He said that the state's workers' compensation system is challenged by a lack of clarity in the statutes and because the statutory incentives for workers to return to work have been eroded.

Mr. Magoffe said that a 2016 legislative proposal would clarify the result of an injury caused by drugs or alcohol. He said that a New Mexico Court of Appeals decision characterized the statutory provisions that address intoxication as confusing and unworkable. He said that surveys report that many people support reduced benefits when intoxication is a factor in an injury. Another provision that needs clarification relates to return to work. He emphasized that outcomes are better for workers and employers when injured employees return to work with the same employer. He suggested that employers be encouraged to make return-to-work offers to injured employees and that employers' rights when a worker who returns to work engages in misconduct or is terminated for cause after returning be clarified.

Mr. Magoffe also suggested that the workers' compensation system needs to be evaluated.

Mr. McGinley said that the committee is still working on draft legislation and reiterated the need for an evaluation of the system, using an appropriation from the legislature. He said that the ACWCODD unanimously agreed that the legislature also should address the diversion of funds from the WCA's fund.

A member expressed support for work on the workers' compensation statutes and agreed that outcomes are better when injured workers return to work.

In response to a member's question about 2016 legislation, Mr. McGinley said that the intoxication-related bill is ready for introduction, but said that the return-to-work bill needs to be simplified. He reported that the ACWCODD believes that the governor will support introduction of workers' compensation bills.

A member agreed that the intoxication-related bill has received significant consideration and revision and is probably ready for introduction in the 2016 session. Mr. McGinley informed the council that the ACWCODD was not seeking the council's endorsement of legislation.

In response to a member's comment, Mr. McGinley said that the WCA is hoping that the retroactive portion of a recent New Mexico Supreme Court decision on workers' compensation coverage for agricultural workers will be eliminated.

After a short discussion, the council voted unanimously to endorse the bill providing an appropriation for an evaluation of certain workers' compensation system components (.202400.1).

**Growing the Agricultural Sector: The Impact of Agriculture on New Mexico's Economy; Challenges in Agriculture; Right to Farm; Regulation Challenges, Labor Issues and Operation Costs; Boots on the Ground Tour**

Dr. Jim Libbin, interim dean, College of Agriculture, Consumer and Environmental Sciences, NMSU, emphasized the importance of agriculture to the state's economy. Agricultural production, he said, is the most important part of the economy in three of eight regions represented in the report presented to the council titled "Agriculture's Contribution to New Mexico's Economy". He added that cash receipts from agricultural production in the state are greater than \$4 billion as of 2013. Those products include milk, beef, hay, pecans, onions and chile.

Greg Carrasco, vice president and branch manager, Farm Credit of New Mexico (FCNM), said that FCNM is structured as a cooperative, has a board of directors and provides financing for agricultural institutions. He noted changes in the agricultural industry, including the fact that many crops grown in the state are increasingly being grown outside the state and country. He informed the council that zoning changes, regulation and water rights litigation all

have a significant impact on agriculture, and it is difficult for financial institutions to continue to lend money to people whose ability to farm or ranch on their land may be impaired.

John DeRuyter, owner and operator, Mountain View Dairy, told the council that he is a third-generation dairy farmer who employs 30 people and buys corn, alfalfa and oats from New Mexicans to support his dairy. He said that 180 dairies operated in the state in the past and currently far fewer dairies are in operation. He expressed uncertainty about his ability to continue to operate his dairy or to pass the family business on to his son. He emphasized that, without changes to the law to protect agricultural businesses, he will not be able to continue to invest in the state's economy and will likely move to more-business-friendly Texas.

Duane Gillis, owner, Gillis Farms and Desert Springs Produce, informed the council that his family business grows onions, chile, alfalfa and corn on 3,300 acres. He said that audits by the federal Environmental Protection Agency and the federal Food and Drug Administration create a burden for his business. He said that, like Mr. DeRuyter, he does not believe his son will be able to take over the family business.

Craig Ogden, co-operator, Lookout Farms, told the council that he is a third-generation agricultural employer. Agriculture has been a stable part of the state's economy and it can continue to be successful with legislation to stabilize the regulation of the agriculture industry, he said. He invited council members to tour some of the state's agricultural operations to better understand the obstacles they face.

Jeff M. Witte, director, New Mexico Department of Agriculture, agreed that the agricultural industry in the state is in transition. He said that the obstacles faced by the current generation of agricultural business owners will discourage the continuation and growth of the industry. He also emphasized the need for a stable regulatory environment for farmers and ranchers for the state to remain competitive with neighboring states.

In response to a member's question, Mr. Carrasco said that water is a crucial issue for agriculture and that the uncertainty of water rights, the subject of decades of litigation, affects agricultural operations. A member said that agriculture represents 51,000 jobs in the state.

In response to a question about the expansion of a cheese business in Tucumcari, Mr. Carrasco said that the expansion was funded in part by his institution. He said the business employs about 400 people and will add another 50 employees because of the expansion.

Another member said that many of the issues identified by the presenters are actually issues that can only be addressed by the federal government. The member said that the council might provide assistance by announcing its support of the industries. Mr. Carrasco emphasized the importance of state representation when resource management plans are developed in connection with national monuments located in New Mexico.

A member informed the council about upcoming legislation to approve the growing of agricultural hemp, a crop that uses very little water.

Mr. McDermott informed the presenters that the United States Department of Agriculture (USDA) provides grants for producers of value-added products. The USDA can also provide assistance with farmers' transition from diesel to solar operations.

**Proposed Legislation: Rural Infrastructure Tax Credit; Scenic Byways Program  
Appropriation**

Representative Lundstrom informed the council that if the state is focused on supporting the creation of jobs in the "employer" theater, it should also be focused on the state's lack of available buildings and storage facilities, which are needed by businesses that wish to move to the state.

Michael Sage, deputy director, Greater Gallup Economic Development Corporation (GGEDC), said that McKinley County has an unemployment rate of 9.9% as compared with the state's rate of 6.8% and the United States' rate of 5.1%. The GGEDC works with the New Mexico Partnership to try to encourage new businesses to locate in McKinley County; however, the fact that there are few or no available commercial real properties for businesses to occupy is consistently a consideration.

David Hinkle, president and chief executive officer, Gallup-McKinley County Chamber of Commerce, told the council that he would like to be able to encourage businesses to create high-paying jobs in the state. Business proposals consistently include inquiries about available commercial real properties. As a potential solution to this issue, Mr. Hinkle explained a draft bill presented to the council (.202253.3), which would provide a tax credit of up to \$1 million to a taxpayer that makes certain investments in the state.

Representative Lundstrom said that the bill is intended to stimulate economic growth and would be carried by Representative James R.J. Strickler and co-sponsored by her.

In response to a member's question, Mr. Hinkle said that a sufficient incentive is one that encourages the desired activity, and at this point the state has not appealed to employers to locate their businesses in the state, in part because of a lack of buildings.

A member recalled that the same legislation faced obstacles in committee hearings during the 2015 legislative session.

The council endorsed the legislation by roll call vote.

Representative Lundstrom presented a second proposed bill to provide an appropriation to support the state's scenic byways program. She said that the program has not been funded for some time, but is very compatible with the New Mexico True campaign. She expressed

optimism that the program could help encourage visitors to travel to many of the state's communities.

A member expressed support for the legislation and for the program. Another member noted that many travelers use digital applications to guide their travel routes and suggested that an application could be developed.

In response to a member's question, Representative Lundstrom said that the program could be administered by the TD, the EDD or the DOT, but she thought the TD would be most appropriate because of the relationship of the program to the New Mexico True campaign.

The council endorsed the appropriation.

### **Legislative Initiatives Update**

Mr. Lehman and Mr. Lautman reviewed a chart titled Legislative Interim Jobs Council Initiatives Approved. They reviewed the 12 initiatives that were previously discussed by the council.

Senator Papen asked if any member of the council objected to supporting the 12 initiatives. One member stated concern about the lack of prioritization among the 12 items because some of them are more important than others.

Mr. Lautman said that the council would be voting just to express support of the proposals, which could help the bills progress through the legislature during the legislative session.

Mr. Lehman and Mr. Lautman reviewed additional initiatives proposed in a document titled "Interim Jobs Council Proposed Legislative Approval November 16, 2015". The initiatives provided for: 1) \$150,000 to fund metrics and accountability initiatives; 2) \$4.7 million and \$300,000 for tourism and hospitality; 3) \$408,600 to support the NMSU outreach project; 4) support for a public-private partnership bill relating to utilities and broadband; 5) support for the rural infrastructure tax credit (endorsed earlier in the meeting); 6) \$2.5 million to support the technology maturation program; and 7) support for continuing council activities. The council included the \$500,000 appropriation for the scenic byways program that was previously endorsed, but not included on the list.

The council approved each item on the list and the appropriation for the scenic byways program.

The council approved the minutes for the October meeting.

### **Adjournment**

There being no further business before the council, the sixth meeting of the council for

the 2015 interim adjourned at 5:46 p.m.

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## ENDORSED LEGISLATION



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HOUSE BILL

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE AND  
THE JOBS COUNCIL

AN ACT

RELATING TO TAXATION; CREATING THE RURAL INFRASTRUCTURE TAX  
CREDIT.

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

SECTION 1. A new section of Chapter 7 NMSA 1978 is  
enacted to read:

"[NEW MATERIAL] RURAL INFRASTRUCTURE TAX CREDIT.--

A. Prior to January 1, 2022, a taxpayer who makes a  
qualified investment that is likely to produce quantifiable  
benefits may claim a tax credit in an amount not to exceed  
thirty percent of the cost of the qualified investment against  
the taxpayer's modified combined tax liability or the  
taxpayer's tax liability pursuant to the provisions of the  
Income Tax Act and the Corporate Income and Franchise Tax Act;  
provided that the amount of the credit associated with the

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1 purchase of land or fixed assets shall not exceed fifty percent  
2 of the amount of the credit associated with the cost of  
3 construction of one or more buildings. The tax credit provided  
4 by this section may be referred to as the "rural infrastructure  
5 tax credit".

6 B. The purposes of the rural infrastructure tax  
7 credit are to:

8 (1) stimulate economic development by  
9 providing gap funding for manufacturers, processors and natural  
10 resource extractors to build infrastructure;

11 (2) encourage private investment in  
12 manufacturing facilities;

13 (3) give rural communities an advantage in  
14 attracting investment by private industry; and

15 (4) promote job creation.

16 C. A taxpayer may claim a rural infrastructure tax  
17 credit in an amount not to exceed one million dollars  
18 (\$1,000,000) per qualified investment for not more than three  
19 qualified investments in a taxable year. A taxpayer shall  
20 claim the rural infrastructure tax credit no later than one  
21 year following the end of the calendar year in which the  
22 taxpayer receives a certificate of eligibility pursuant to  
23 Subsection D of this section.

24 D. A taxpayer may apply for certification of  
25 eligibility for the rural infrastructure tax credit from the

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1 authority. The authority shall consider for certification  
2 completed applications in the order received. If the authority  
3 determines that the project is a qualified investment that is  
4 likely to produce quantifiable benefits, it shall issue a  
5 certificate of eligibility to the taxpayer, subject to the  
6 limitation in Subsection E of this section. The certificate  
7 shall be dated and shall include a calculation of the amount of  
8 the rural infrastructure tax credit for which the taxpayer is  
9 eligible. The authority may issue rules governing the  
10 procedure for administering the provisions of this subsection.

11 E. The authority may issue a certificate of  
12 eligibility pursuant to Subsection D of this section only if  
13 the total amount of rural infrastructure tax credits  
14 represented by those certificates in any calendar year does not  
15 exceed ten million dollars (\$10,000,000). If the applications  
16 for certificates for rural infrastructure tax credits represent  
17 an aggregate amount exceeding ten million dollars (\$10,000,000)  
18 for any calendar year, certificates shall be issued in the  
19 order that the completed applications were received. The  
20 excess applications that would have been certified, but for the  
21 limit imposed by this subsection, shall be certified, subject  
22 to the same limit, in subsequent calendar years.

23 F. To claim the rural infrastructure tax credit, a  
24 taxpayer shall provide to the department a certificate of  
25 eligibility issued by the authority pursuant to Subsection D of

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1 this section and any other information that the department may  
2 require to determine the amount of the tax credit due the  
3 taxpayer. If the requirements of this section have been  
4 complied with, the department shall approve the claim for the  
5 credit.

6 G. To receive a rural infrastructure tax credit, a  
7 taxpayer shall apply to the department on forms and in the  
8 manner prescribed by the department. The application shall  
9 include a certification made pursuant to Subsection D of this  
10 section. If the requirements of this section have been  
11 complied with, the department shall issue to the taxpayer a  
12 document granting the tax credit. The document shall be  
13 numbered for identification and shall declare its date of  
14 issuance and the amount of the tax credit allowed pursuant to  
15 this section. The document may be submitted by the applicant  
16 with that taxpayer's tax return or may be sold, exchanged or  
17 otherwise transferred to another taxpayer. The parties to such  
18 a transaction shall notify the department of the sale, exchange  
19 or transfer within ten days of the sale, exchange or transfer.

20 H. That portion of a rural infrastructure tax  
21 credit that exceeds a taxpayer's tax liability in the taxable  
22 period in which the credit is claimed may be carried forward  
23 for a maximum of ten consecutive taxable years.

24 I. Married individuals filing separate returns for  
25 a taxable year for which they could have filed a joint return

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1 may each claim only one-half of the rural infrastructure tax  
2 credit that would have been claimed on a joint return.

3 J. A taxpayer may be allocated the right to claim a  
4 rural infrastructure tax credit in proportion to the taxpayer's  
5 ownership interest if the taxpayer owns an interest in a  
6 business entity that is taxed for federal income tax purposes  
7 as a partnership and that business entity has met all of the  
8 requirements to be eligible for the tax credit. The total tax  
9 credit claimed by all members of the partnership or limited  
10 liability company shall not exceed the allowable tax credit  
11 pursuant to Subsection C of this section.

12 K. If the department determines that the qualified  
13 investment is not substantially complete within twelve months  
14 from the date that a certificate of eligibility was issued, the  
15 department shall timely notify the taxpayer of that  
16 determination. The taxpayer may request an extension of time  
17 in which to complete the project, and the department, if it  
18 determines that meaningful and measurable progress toward  
19 project completion is being made, may grant a six-month  
20 extension. A taxpayer may request, and the department may  
21 grant, more than one extension. If no request is made or if  
22 the department determines that meaningful and measurable  
23 progress toward project completion has not been made, the  
24 department shall:

- 25 (1) if the taxpayer has not claimed the rural

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1 infrastructure tax credit, extinguish the credit; and

2 (2) if the taxpayer has claimed the rural  
3 infrastructure tax credit, deem any taxes to which the tax  
4 credit was applied as unpaid and extinguish the remainder of  
5 the unclaimed tax credit, if any.

6 L. The authority and the department shall compile  
7 an annual report on the rural infrastructure tax credit that  
8 shall include the number of certificates of eligibility that  
9 the authority issued in the previous year, the number of  
10 taxpayers approved by the department to receive the tax credit,  
11 the aggregate amount of tax credits approved and any other  
12 information necessary to evaluate the effectiveness of the tax  
13 credit. Before December 1 of each year, the department shall  
14 compile and present the annual report to the revenue  
15 stabilization and tax policy committee and the legislative  
16 finance committee with an analysis of the effectiveness and  
17 cost of the tax credit and whether the tax credit is performing  
18 the purpose for which it was created.

19 M. As used in this section:

20 (1) "authority" means the New Mexico finance  
21 authority;

22 (2) "department" means the taxation and  
23 revenue department;

24 (3) "modified combined tax liability" means  
25 the total liability for the reporting period for the gross

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1 receipts tax imposed by Section 7-9-4 NMSA 1978 together with  
2 any tax collected at the same time and in the same manner as  
3 that gross receipts tax, such as the compensating tax, the  
4 withholding tax, the interstate telecommunications gross  
5 receipts tax, the surcharges imposed by Section 63-9D-5 NMSA  
6 1978 and the surcharge imposed by Section 63-9F-11 NMSA 1978,  
7 minus the amount of any credit other than the rural job tax  
8 credit applied against any or all of these taxes or surcharges;  
9 but "modified combined tax liability" excludes all amounts  
10 collected with respect to local option gross receipts taxes;

11 (4) "qualified institution" means a state-  
12 chartered financial institution or a nationally chartered  
13 financial institution;

14 (5) "qualified investment" means an investment  
15 of at least one million dollars (\$1,000,000) in a commercial  
16 enterprise project:

17 (a) not located in, or within ten miles  
18 of, a municipality with a population that is equal to or  
19 greater than fifty-five thousand as of the most recent federal  
20 decennial census;

21 (b) whose purpose is to: 1) manufacture  
22 goods for sale; 2) extract natural resources for sale; or 3)  
23 process raw materials for sale;

24 (c) that includes the construction of at  
25 least one building or the construction of at least one building

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and the purchase of land or fixed assets, or both;

(d) that is not functionally related or subordinate to another project that has received or will receive a rural infrastructure tax credit; and

(e) for which a loan from a qualified institution has closed; and

(6) "quantifiable benefits" means economic development as measured by a variety of factors, including increased local hiring, job training, direct and indirect job creation, increased gross receipts tax collection, increased occupancy tax collection, increased property tax collection, increased state corporate and personal income tax collection and increased other fee and revenue collections."

**SECTION 2. APPLICABILITY.**--The provisions of this act apply to taxable years beginning on or after January 1, 2016.

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HOUSE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016**

INTRODUCED BY

FOR THE JOBS COUNCIL

AN ACT

MAKING AN APPROPRIATION FROM THE WORKERS' COMPENSATION  
ADMINISTRATION FUND TO CONTRACT FOR EVALUATION OF RETURN-TO-  
WORK AND PERMANENT PARTIAL DISABILITY BENEFITS AND KEY MEDICAL  
COST COMPONENTS AND MEASURABLE MEDICAL CARE OUTCOME INDICATORS.

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

**SECTION 1. APPROPRIATION.--**

A. Five hundred thousand dollars (\$500,000) is  
appropriated from the workers' compensation administration fund  
to the workers' compensation administration for expenditure in  
fiscal year 2017 and subsequent fiscal years in the following  
amounts for the following purposes:

- (1) two hundred fifty thousand dollars  
(\$250,000) to retain the services of an appropriate independent  
research organization to evaluate return-to-work and permanent

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1 partial disability benefits of the state's workers'  
2 compensation system; and

3 (2) two hundred fifty thousand dollars  
4 (\$250,000) to retain the services of an appropriate independent  
5 research organization to evaluate and analyze key medical cost  
6 components and measurable medical care outcome indicators in  
7 New Mexico workers' compensation.

8 B. Any unexpended or unencumbered balance remaining  
9 at the end of a fiscal year shall not revert.

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HOUSE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE AND  
THE JOBS COUNCIL

AN ACT

MAKING AN APPROPRIATION TO THE TOURISM DEPARTMENT FOR THE STATE  
TOURISM REGION BOARDS TO ADMINISTER THE SCENIC BYWAYS PROGRAM.

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 tourism  
department for expenditure in fiscal year 2017 for  
administration and operation of the scenic byways program to be  
administered by the state tourism region boards. Any  
unexpended or unencumbered balance remaining at the end of  
fiscal year 2017 shall revert to the general fund.

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