

Economic development along New Mexico’s Southern Border, or Dona Ana, Hidalgo and Luna counties, has outpaced the rest of the state in economic activity during the challenging times of Covid-19. State investments in economic development programs such as JTIP and LEDA have totaled \$5.5 million in FY21, creating 1,660 new jobs for the region and opportunities remain for the state to support a strong post-pandemic recovery in the region.

DATE: May 19, 2021

PURPOSE OF HEARING:
Borderland Economic Development

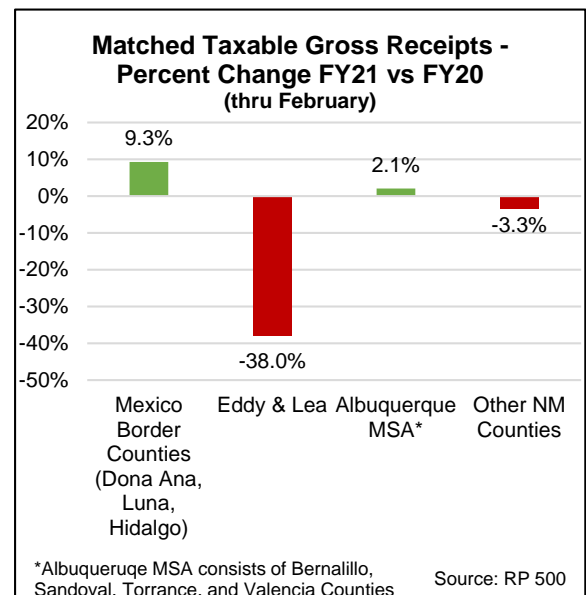
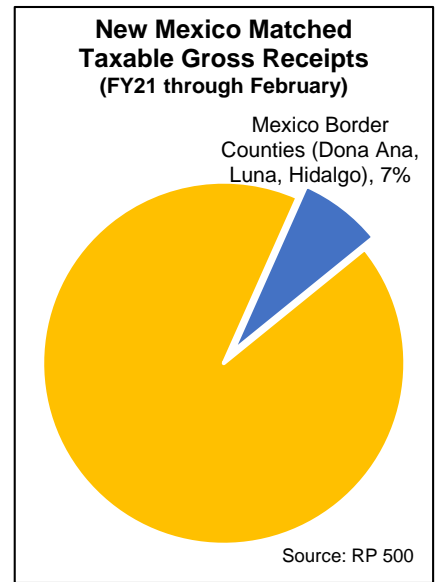
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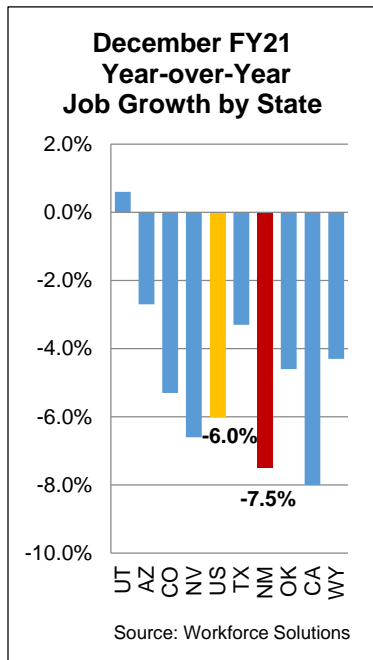
Background and Borderland Economic Profile

In 2019, the Economic Development Department announced eight key industries it intended to focus on to diversify the economy and drive future prosperity. The priority industries are sustainable and green energy, aerospace and defense, sustainable and value-added agriculture, intelligent manufacturing, film and television, biosciences, global trade, and cybersecurity. The department intends to focus its efforts on these industries, including in the borderland, where opportunities for all target industries is significant.

New Mexico counties on the Mexican border – Dona Ana, Hidalgo, and Luna – currently make up about 7 percent of the state’s gross receipts activity. Despite the state’s focused economic development strategies, the region’s largest sector is retail trade, accounting for about 24 percent of the area’s total gross receipts. Healthcare and manufacturing are also significant sectors in the area – accounting for 22 percent and 7 percent of total gross receipts, respectively – however, much of the activity is deductible from gross receipts tax, and these sectors make smaller contributions to the region’s taxable gross receipts base, as shown in Chart 2 of the attachment. Other significant contributors to the borderlands’ taxable gross receipts base include construction, accommodation and food services, and professional and other in-person services.

While much of the state experienced declines in matched taxable gross receipts (MTGR) in FY21 through February, the combined MTGR of border counties’ is up 9.3 percent. Most of the growth is due to significant construction activity in the area – namely, border wall and related construction in Luna and Hidalgo counties. Luna County, despite contributing just 1.1 percent to the state’s overall MTGR, is showing the most growth of any other county this fiscal year, up \$228 million in MTGR from the same period last year, as shown in Chart 1 of the attachment. Dona Ana County MTGR is roughly flat in FY21 to date, with gains in retail,





professional services, and healthcare largely offsetting losses in the information, construction, and leisure and hospitality industries.

Within various industries, the border region is showing more growth in FY21-to-date compared with the rest of the state. For example, retail and professional services in the border area grew more than other parts of the state, as shown on Chart 3 of the attachment. Other services (which includes many in-person services like repair and maintenance, salons and barbershops), manufacturing, wholesale trade, and real estate MTGR is also growing in the border region while the state overall is experiencing declines in these sectors. Additionally, the leisure and hospitality industry in the border region, like the rest of the state, was hard-hit during the pandemic; however, borderland MTGR in the industry is down 13.5 percent in FY21 through February, compared with a combined 23 percent year-over-year decline in non-border counties.

LEDA		
	Jobs Created	Average Cost per Job
FY17	530	\$ 27,763
FY18	2613	\$ 8,625
FY19	2891	\$ 12,492
FY20	1585	\$ 12,282
FY21	1917	\$ 24,038
5-Year Average	1907	\$ 17,040

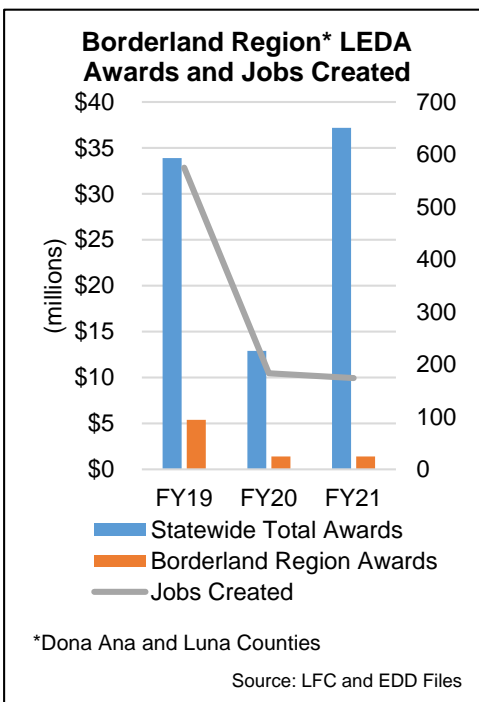
Source: LFC and EDD Files

Development Tools Used in the Borderlands

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

Local Economic Development Act (LEDA)

LEDA can be used to support three types of projects: infrastructure/improvement, economic development (job creator) and retail. As of May 2021, nine LEDA awards have been given in FY21, totaling \$37.1 million, with 1,917 jobs announced at an average cost per job of \$24 thousand. Table 1 in the appendix details the LEDA awards, private investments, jobs created by community or county and cost per job for the past five years (FY17 – FY21).



In the last five years, the state has invested \$110 million in LEDA awards, creating approximately 9,500 new jobs at an average cost per job of \$17 thousand, varying from \$8,600 cost per job in FY18 to the current cost per job of \$24 thousand in FY21. When comparing cost per job across regions within the past few fiscal years, there are drastic differences. For example, in FY21, Spaceport America’s cost per job was \$68 thousand for 59 jobs, compared to Faneuil Inc. in FY20, having a cost per job of \$571 for 700 jobs created. Higher costs per job are often associated with high wage jobs.

During the 2021 Legislative session, the Local Economic Development Act fund received \$17.5 million in non-reverting funds. As of May 2021, remaining uncommitted LEDA funds totaled \$14 million, and total LEDA cash is \$71 million.

Specific to the borderland region, LEDA investments totaled \$1.4 million and supported creation of 174 jobs in Dona Ana County – 79 new jobs in Las Cruces and 95 new jobs in Santa Teresa. As a proportion of statewide investment, the borderland region was awarded approximately 4 percent of the total \$37 million in statewide LEDA awards, compared with FY20 when the region was awarded 11 percent.

Job Training Incentive Program (JTIP)

JTIP funds classroom and on-the-job training for newly-created jobs in expanding or relocating businesses for up to six months. The program reimburses 50 percent to 75 percent of employee wages. Custom training at a New Mexico public educational institution may also be reimbursed. In FY22, JTIP will have \$5 million in the recurring operating budget to support local businesses, as well as \$7 million in special appropriations.

As of May 2021, the JTIP board approved 82 businesses for funding, including 21 in rural communities, for a total of \$17.6 million in awards in FY21. A total of 3,033 trainees were approved, at an average wage of \$18.43. As of May, approximately \$6.4 million of JTIP funds are available for the remainder of the fiscal year. However, this does not include the \$7 million special appropriation that is available for FY21 and FY22. Appendix B lists grant recipients over the last 3 years.

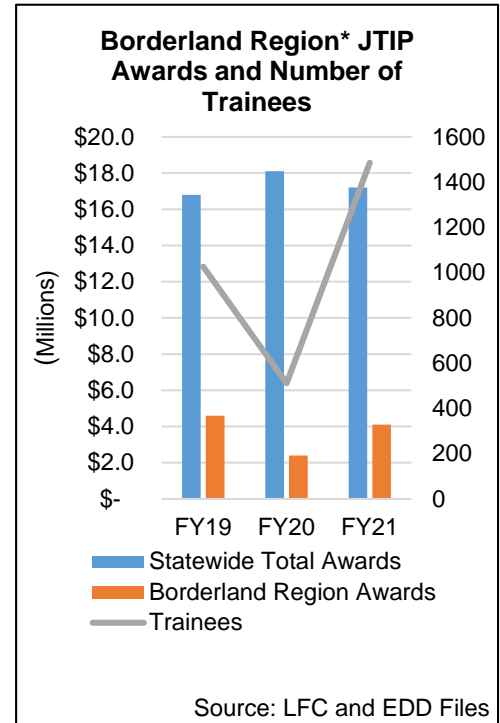
In the borderland region, JTIP awards total \$4.6 million in FY21, providing training to 1,478 employees in Dona Ana County and 8 employees in Luna County. As a proportion of statewide investments, the borderland region received 27 percent of total JTIP awards, accounting for 49 percent of the total employees trained by JTIP in the same fiscal year. Similarly, the three-year trend shows that the borderland region receives an average of \$3.7 million in JTIP awards, or 22 percent of total statewide investment.

Outdoor Recreation

The Outdoor Recreation Division’s (ORD) goal is to ensure all New Mexicans share in the public health, environmental, and economic benefits of sustainable outdoor recreation. The two-person ORD team focuses on a few key-impact areas: economic development, promotion of outdoor-recreation assets, conservation, and education and public

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

Source: LFC and EDD Files



Source: LFC and EDD Files

Outdoor Recreation Borderland Awards		
County/Community	Award Amount	Description
Sunland Park	\$5,500	Educational youth weekend events
Las Cruces	\$15,000	Outdoor Youth Education
Grant and Hidalgo Counties	\$15,000	NM Park Restoration Challenge
Grant and Luna Counties	\$12,663	WNMU two-week summer youth camp

health programs. In 2020, the Outdoor Equity Fund opened to applications for the first time, awarding about \$270 thousand to 25 applicants across the state. The 2021 grant cycle opened on May 3, 2021 in which \$48 thousand or 4 grants were awarded to applicants in the borderland, about 18 percent of the total awards.

MainStreet

The New Mexico MainStreet Program, enacted by the legislature in 1985, focuses on the revitalization of central business districts in New Mexico communities based on the preservation and rehabilitation of existing structures of unique historical and architectural character and the development of progressive marketing and management techniques as an economic development strategy for local governments.

Performance measures for FY14 through FY20 indicate that Local MainStreet communities have completed 1,736 building rehabilitations, leveraged more than \$176 million in private sector reinvestment, created 1,015 net new businesses and business expansions, and 4,209 net new jobs. Of the 31 affiliates of New Mexico MainStreet, Deming and Las Cruces are the only two located in the borderland. The Deming MainStreet affiliate reported contributing 40 net new jobs and 15 net new business to their region in FY21. No performance data for the Las Cruces Mainstreet was made available to the LFC prior to this publication.

As of May 2021, local MainStreet programs have reported \$37 million in private sector reinvestment, 159 building renovations, 98 net new businesses, and 454 net new jobs in FY21.

New Mexico Film Office and Tax Credits

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

According to the Film Office at EDD, \$2.6 million in direct production spend was attributed to Dona Ana County, the only border county to receive industry spend in the borderlands in FY20. Related tax credits to the region are estimated between \$638 thousand and \$766 thousand, about 1 percent of all credits given in FY20, and 3.4 percent of all production spending by the industry in the state.

New Mexico Border Authority and Export Economy

Despite the pandemic in 2020, Santa Teresa Port of Entry (POE) commercial crossings hit a new record of 13,429 for the year. That record was already surpassed by March of 2021, with 13,616 commercial vehicle

2019 Film Tax Credit Changes

Film Tax credit changes made during the 2019 legislative session are estimated to cost over \$500 million to the general fund over the next five years (in addition to the \$250 million that would have been paid out under the existing cap). This is likely the most significant state investment ever in a single industry for economic development, despite evidence of about a 40 cent return on the dollar. Included in the changes were carve-outs for "film partners," excluding credits to these productions from credit caps. To date, only two film partners have been announced with expectations of nearly \$70 million in tax credits going to partners, per year. Additional film partners could cause the cost of the credit to grow unsustainably. Both partners are located in Albuquerque.

crossings. Commercial crossings are expected to continue increasing given the congestion at El Paso ports, and as the Santa Teresa Port begins allowing hazardous material cargo in May.

There is only one other hazmat port in the region in El Paso, which is heavily saturated. HAZMAT cargo officially began to cross through the Santa Teresa POE on May 3, 2021. Columbus Border Patrol estimates a daily increase of 120 commercial vehicles just from allowing HAZMAT cargo to travel through the port (the daily average of commercial vehicles now is around 650—just two years ago that number was 350). Wait times for commercial vehicles at the Santa Teresa POE have increased slightly due to the larger volume of trucks, now averaging 0 to 40 minutes up from 0 to 25.

Santa Teresa's industrial base of six thousand workers now accounts for 60 percent of New Mexico's total global exports, surpassing Albuquerque, a city of 560 thousand people. Exports include steel coil, livestock, electronic parts, textiles for car seating, and other materials.

New Mexico's exports to Mexico totaled \$2.2 billion in 2020, slightly lower than 2019's \$2.4 billion, as a result of the pandemic's impact on the region. In 2020, the value of exports and imports crossing through the Santa Teresa Port of Entry (STPOE) reached \$24 billion which was 21 percent less than 2019. This dip was noted at other ports as well, with the exception of Columbus which saw 3 percent growth from mainly agricultural product. The export value at STPOE is likely to increase this year post pandemic and with the Hazmat crossing designation.

Non-essential traffic from Mexico is still banned until at least May 21, 2021. There is no indication whether or not the ban on visitors from Mexico will continue beyond that date. This has directly affected privately owned vehicle (POV) numbers at the port. Pedestrian numbers are also lower than average due to restrictions on non-essential travelers from Mexico.

At the Columbus Port of Entry (POE), Border Patrol reported a 22 percent increase in commercial traffic as of March 2021 when compared with March 2020.

Alfalfa is quickly becoming a solid commodity for the Columbus POE. It is nearing the second most important commodity for the port, according to Columbus Border Patrol. The Border Authority is planning to connect industry leaders in Chihuahua, Mexico with Columbus port officials to highlight the benefits of that port for commercial crossings. Private vehicle and pedestrian crossings continue to be near zero due to the non-essential traffic ban.

TIDD – Downtown Las Cruces

Of the six active Tax Increment Development Districts (TIDDs) in the state, the borderland is home to one for Downtown Las Cruces. The TIDD was formed in 2008 and received 75 percent of state, county, and city GRT

TIDD Financing

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

increments, and 75 percent of county and city property tax dedications. The TIDD received a state dedication of GRT, reaching \$8 million dollars in December of 2018, and no longer receives state revenues. As of the last report to the Board of Finance in November of 2018, \$18 million of capital improvements had been made and an estimated 204 new jobs were created.

Capital Outlay

In 2021, the Border Authority was appropriated a total of \$1.1 million in capital outlay funds, \$651 thousand of which was for the Santa Teresa Port of Entry parking lot and \$418 thousand for the Columbus Port of Entry water system improvement. The Border Authority plans to charge a small fee to users of the parking lot and the Columbus Border Patrol intends to limit parking on their lot to only short-term visits and eventually close their lot for port use only, driving more traffic to the Border Authority's new lot. The Border Authority also plans to construct a sidewalk to the port.

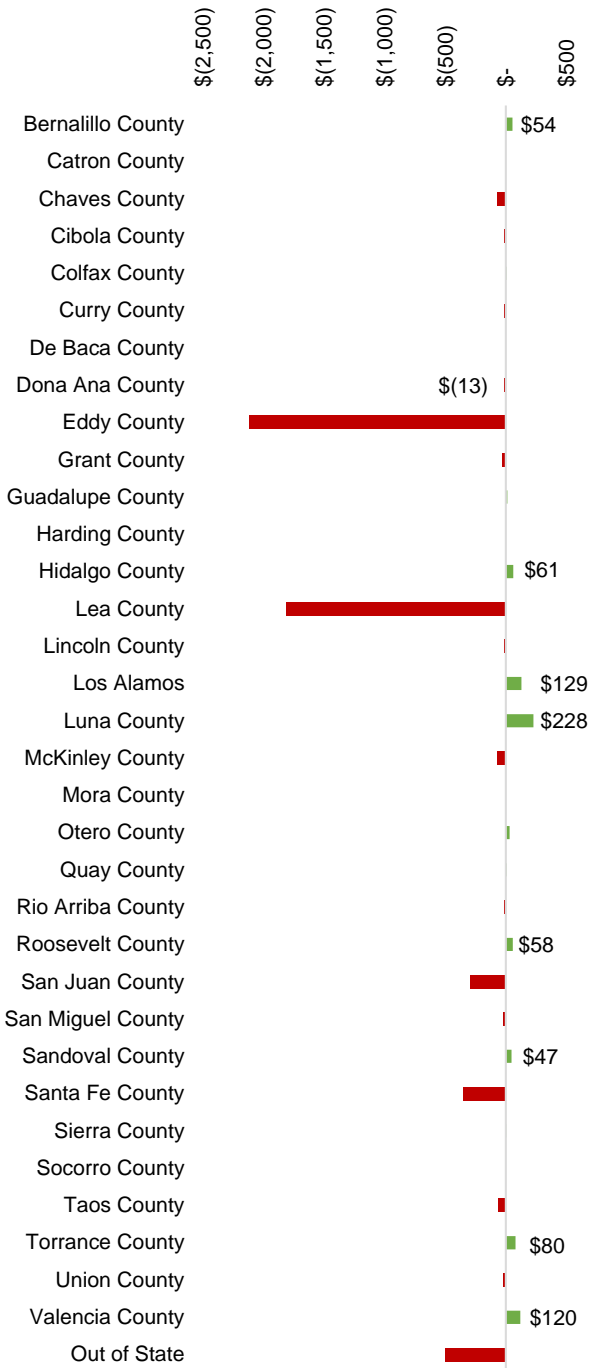
Overlap of State Economic Development Programs

The involvement of multiple state agencies and overlapping incentives for economic development often lead to lopsided costs per jobs, sporadic regional investments, and unfocused development strategies. To begin consolidating a state-wide strategic plan, EDD has contracted with global analytics and research company, SRI International, to work with local communities and stakeholders on a Comprehensive Economic Development Strategy. The statewide short-term and long-term plan will address strategies for recovery and economic diversification.

The first phase has already begun and is focused on economic data collection and coordination, with statewide and local partners. The second phase will explore and develop actionable goals and objectives by region for each of the state's target industries. Finally, the plan is expected to be completed by September and presented to the public sometime thereafter. The work is being funded by a U.S. Economic Development Administration CARES Act grant of \$300 thousand.

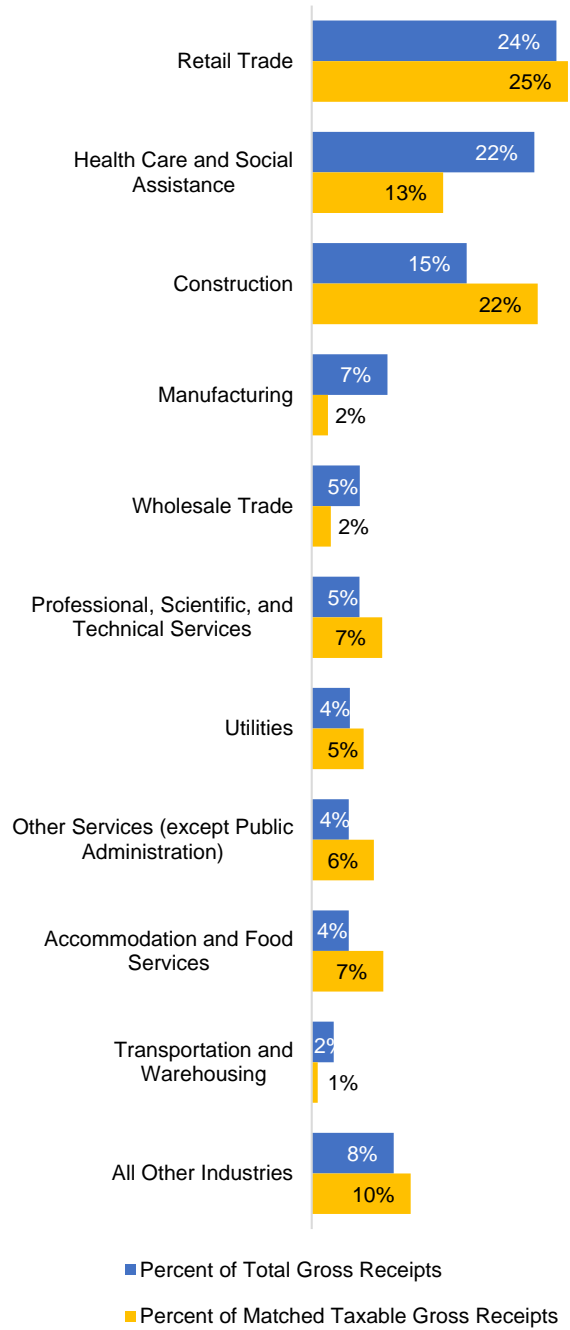
Attachments

Chart 1. Change in Matched Taxable Gross Receipts by County (FY21 Through February in millions)



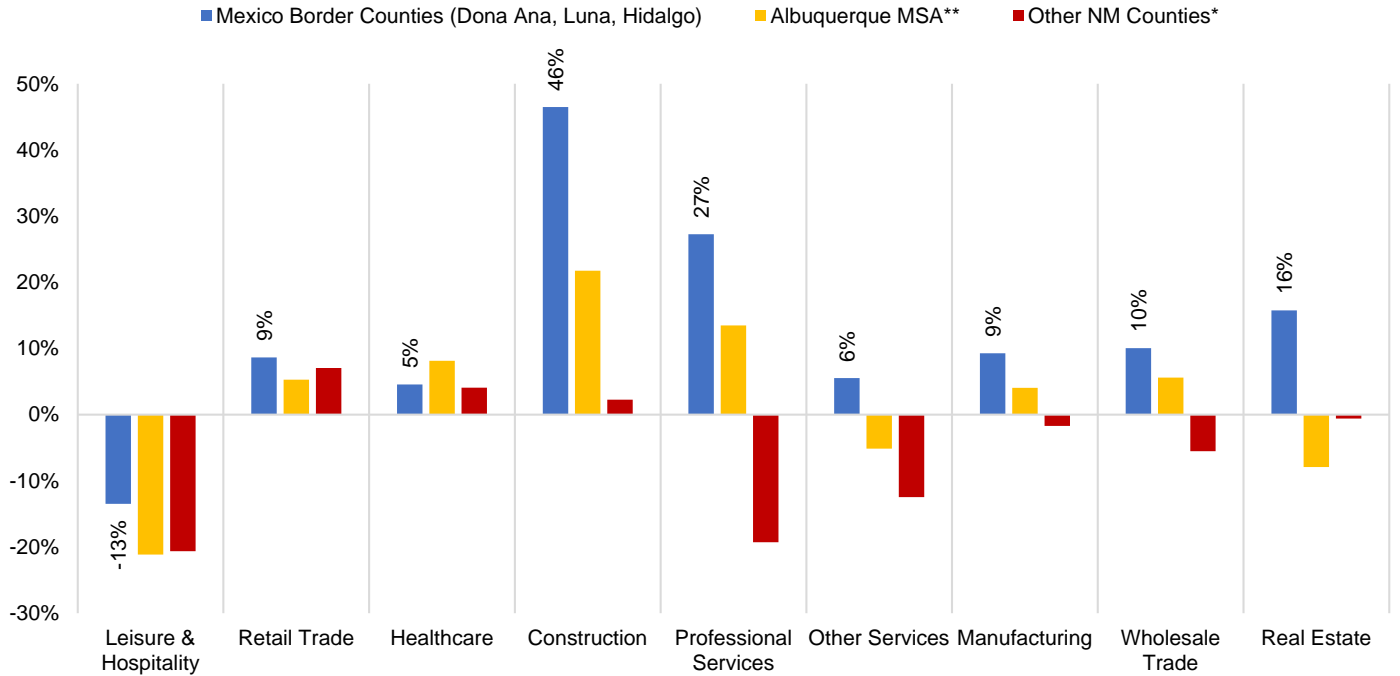
Source: RP 500

Chart 2. NM Mexico Border Counties Composition of Total and Taxable Gross Receipts (FY21 through February)



Source: RP 500

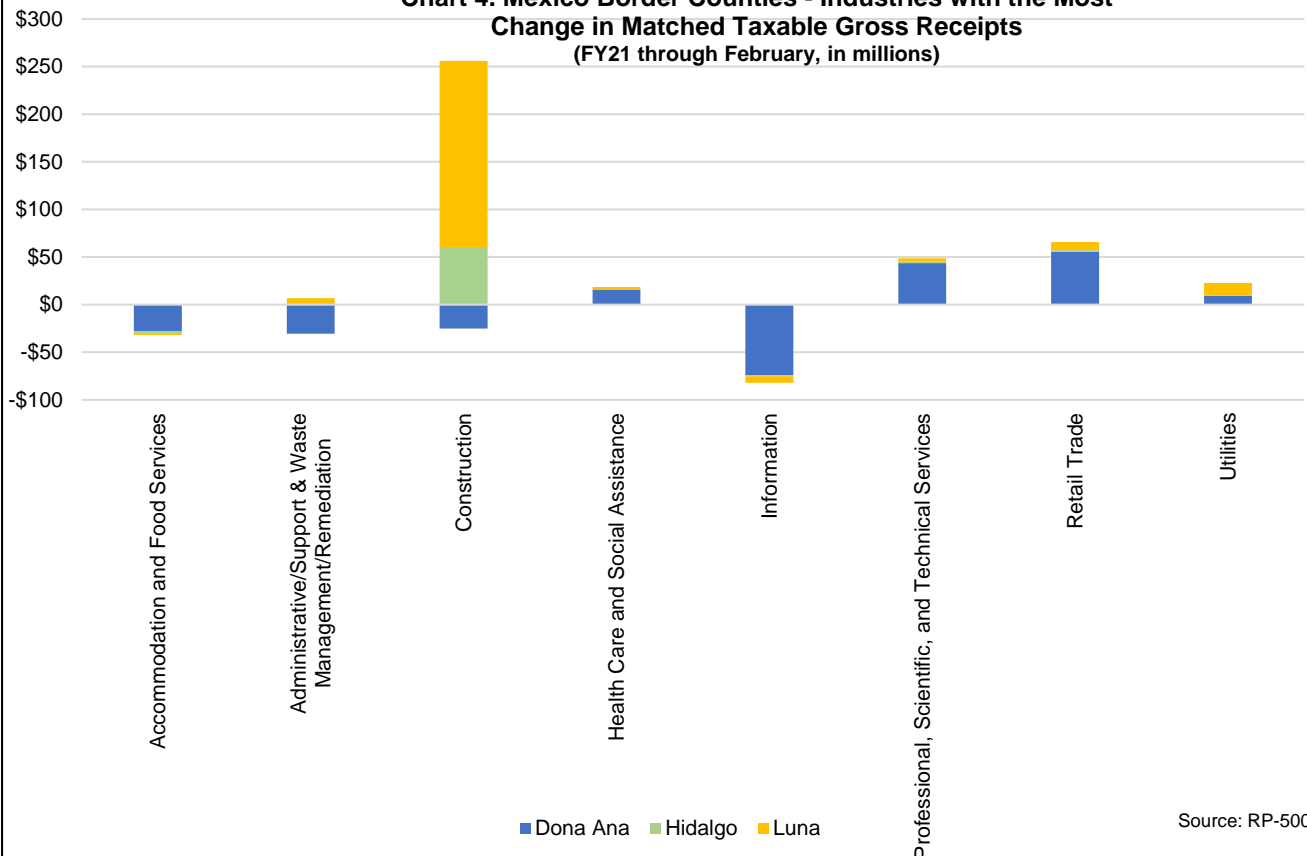
Chart 3. Percent Change in Matched Taxable Gross Receipts, by Select Industry (FY21 vs FY20 through February)



*Other NM counties excludes MTGR from Eddy & Lea counties and out-of-state receipts
 **Albuquerque MSA consists of Bernalillo, Sandoval, Torrance, and Valencia Counties

Source: RP-500

Chart 4. Mexico Border Counties - Industries with the Most Change in Matched Taxable Gross Receipts (FY21 through February, in millions)



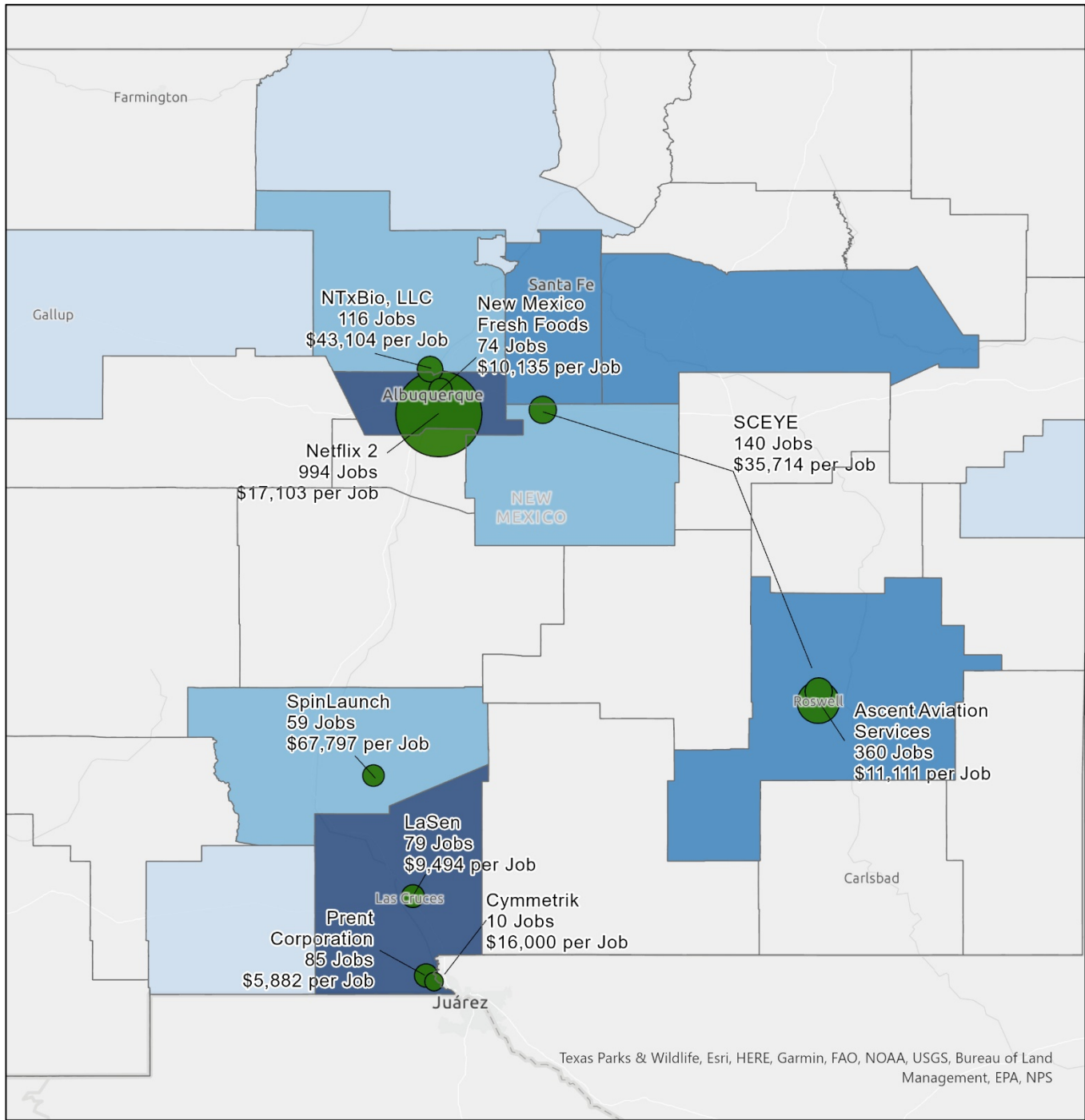
Source: RP-500

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

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

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

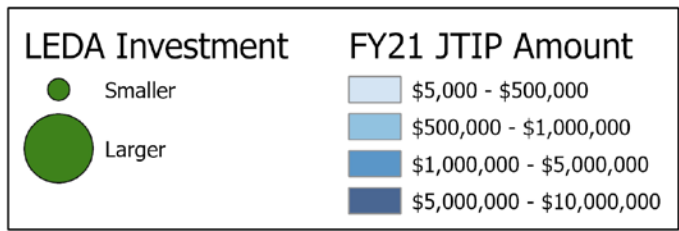
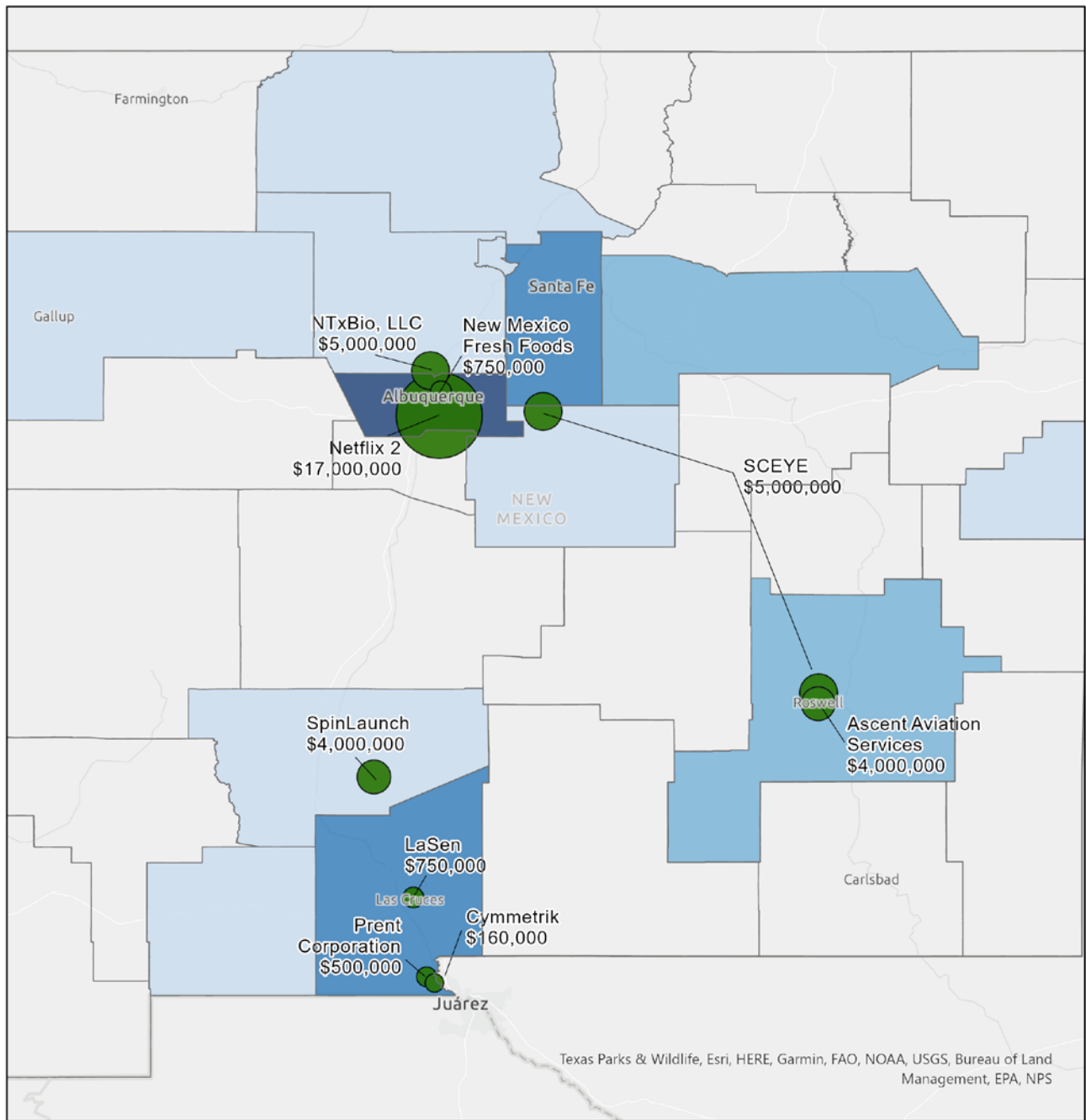
Bernalillo	Mt. Taylor Manufacturing	\$1,000,000	\$100,000	5	\$20,000.0
Lea	Drylands Brewing Co.	\$950,000	\$100,000	10	\$10,000.0
Subtotal		\$346,336,762	\$15,845,000	530	\$27,763.37
Grand Total		\$2,955,344,406	\$110,441,566	9,536	\$17,039.97



Texas Parks & Wildlife, Esri, HERE, Garmin, FAO, NOAA, USGS, Bureau of Land Management, EPA, NPS

LEDA - New Jobs Created JTIP - Trainees





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