

# Economic Diversification for Northwest New Mexico

## Funding Request for Regional Economic Development Programs

Presented by

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## **The Regional Economic Perspective**

Northwest New Mexico has a long history with energy production, including natural gas, oil, uranium, and coal.

The mining sector, which includes coal and oil & gas production, is one of our region's economic base industries and is responsible for generating 25-40% taxable gross receipts for local governments, providing jobs to thousands and approximately 12% of the wages of the region in 2014.

Changes in global markets, the cost and availability of energy resource substitutes and federal policy impacting coal and the energy industry have put considerable pressure on the local mining and the oil/gas sector; curtailing investment in production and spawning employment reductions. All available data points indicate continued long-term pressure on the energy and mining sectors.

Changes in the energy sector will have massive impacts on our regional economy. Changes affecting our economic base industries will impact the funding to local government and their ability to provide essential governmental services. In Northwest New Mexico, revenues into municipal, county and tribal coffers have largely been dependent and reliant on local economic-base industries in the energy sector.

Federal and State governments will always be an important part of any solution, but without strong local effort they cannot lead this region out of economic crisis. Solutions, therefore, must be robustly rooted in strong decisive action and collaborative effort at the local, regional, state and federal levels.

The local and county governments fund economic development programs in San Juan, Cibola and McKinley counties and the federal government through the US EDA has funded San Juan College and the NW NM COG to mitigate the impact of the decline in the coal and power generation industries

We propose \$167,500 in supplemental funds from the State that will be used on a region-wide basis to assist in diversifying the economic base of the region.

## **The Energy Sector is Currently our Economic Base**

- Northwest New Mexico's coal-fired power plants are aging and vulnerable.
- The Escalante power plant employs over 100 people and provides the County with \$1.4 million in property tax revenue per year.
- Peabody Energy, the biggest coal miner in the U.S. and the largest private-sector coal company in the world has filed for Chapter 11 bankruptcy, citing a drop in prices, weaker demand from China, the rise of competition from fracking and "ongoing regulatory challenges" as reasons for the restructuring.
- Peabody Energy's El Segundo and Lee Ranch mines supply the Escalante plant; over 300 were employed in those mines at the beginning of the year, but in recent months, one-third of that workforce has been laid off.
- NW New Mexico coal due to sulfur content and transportation disadvantages, has limited markets and use.
- Of the \$620 million Navajo Nation budget, up to 50% is derived by payments from coal mining and coal-fired power plants.
- 1,500 members of the Navajo Nation work in the coal and power generation sectors.
- The Four Corners Power plant employs 370, with an additional 430 employed in the nearby mine; layoffs have already begun.
- Coal fired power plants and coal mining is responsible for an estimated 11-15% of all wages in Northwest New Mexico, and these jobs are among the highest paying jobs.

## **Economic Diversification**

We believe that a renewed effort to rethink and reinvigorate all sectors and elements of our economy and do all things that will contribute to our economic vitality and the creation of jobs for the citizens of our area is required at this time.

There are many economic development efforts underway right now and the Northwest New Mexico Council of Governments works with Federal, State, Tribal and Local efforts as a cooperating partner.

We have found several regional economic development initiatives that are not being fully met by any other resource and that can be best met with the assistance of state funding on and by a regional economic development coordinating agency.

We have identified 6 areas of economic development that need immediate and aggressive attention and suggest a \$167,500 budget to address the needs of San Juan, Cibola and McKinley Counties and the Navajo, Zuni and Acoma Nations.

The investments would strengthen our existing efforts in recruitment, business retention and expansion, entrepreneurial activity, tourism and recreation and capacity building.

## **The Economic Game Plan**

- Bring Site Locators to NW New Mexico for “One on One” meetings with our economic development organizations and local leaders to educate them on the advantages of locating in the region.
- Provide training to our EDO’s and leaders on Economic Development trends and Topics presented by the nation’s best economic developers. Topics will be suggested by stakeholders.
- Assist Local Communities in establishing a local Business Retention and Expansion Program. Assist with the cost of software acquisition and provide technical assistance with regard to development and implementation of a local program.
- Entrepreneur and Small Business Start-Up Technical Assistance and Consultation. Provide local on-site training and assist with program development.
- Community Branding, Tourism and Recreation Development - Consultation and Technical Assistance. Provide local on-site training and assist with program development.
- Infrastructure - Capacity Building for Economic Development - Consultation and Technical Assistance. Provide local on-site training and assist with program development.
- Sovereign Nations – This initiative will assist in the formation and provide staffing for a not-for-profit organization that will specifically coordinate with Sovereign Native Nations and all other resources in the State and Region to stimulate economic development and diversification of industry and employment.

## **BUDGET**

### Recruitment

Economic Developer Day Camp	\$10,000
Site Locator Weekend Event	\$17,500
Site Locator Weekend Event	\$17,500
75 hrs. Technical Assistance	\$7,500

### Business Retention and Expansion

Software	\$15,000
100 hrs. Technical Assistance	\$10,000

### Entrepreneur & Small Business Start Up

200 hrs. Technical Assistance and Consultation	\$20,000
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### Tourism and Branding

200 hrs. Technical Assistance and Consultation	\$20,000
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### Capacity Building

200 hrs. Infrastructure Planning for Economic Growth	\$20,000
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### Native Nation 501©3

Formation \$10 K, 200 hrs. Technical Assistance and Consultation	<u>\$30,000</u>
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Total	<u><u>\$167,500</u></u>
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