

Economic & Rural Development Committee

August 14, 2019

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Jon Clark, Deputy Secretary

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Strategies for Economic Development: How to Measure Success

EDD performance has been evaluated almost exclusively by number of jobs and cost per job - why?

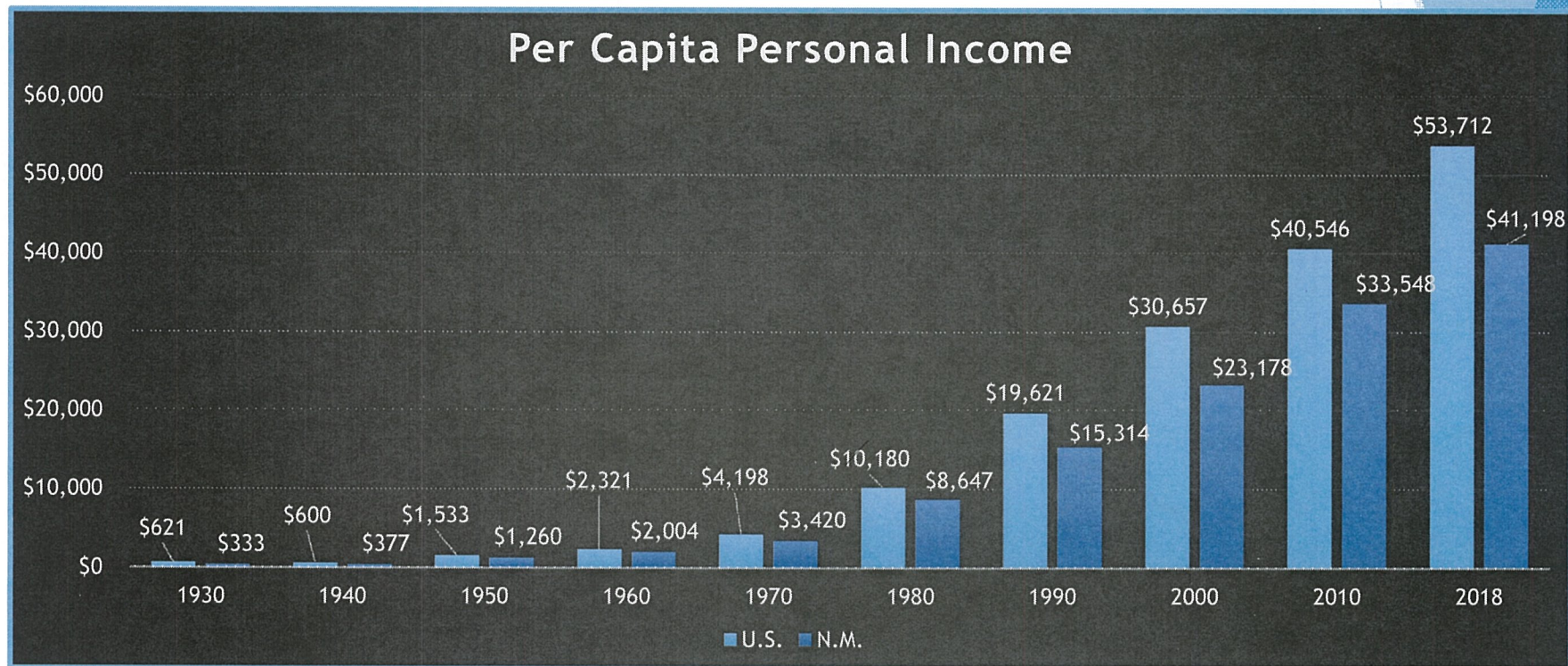
Real Evaluations

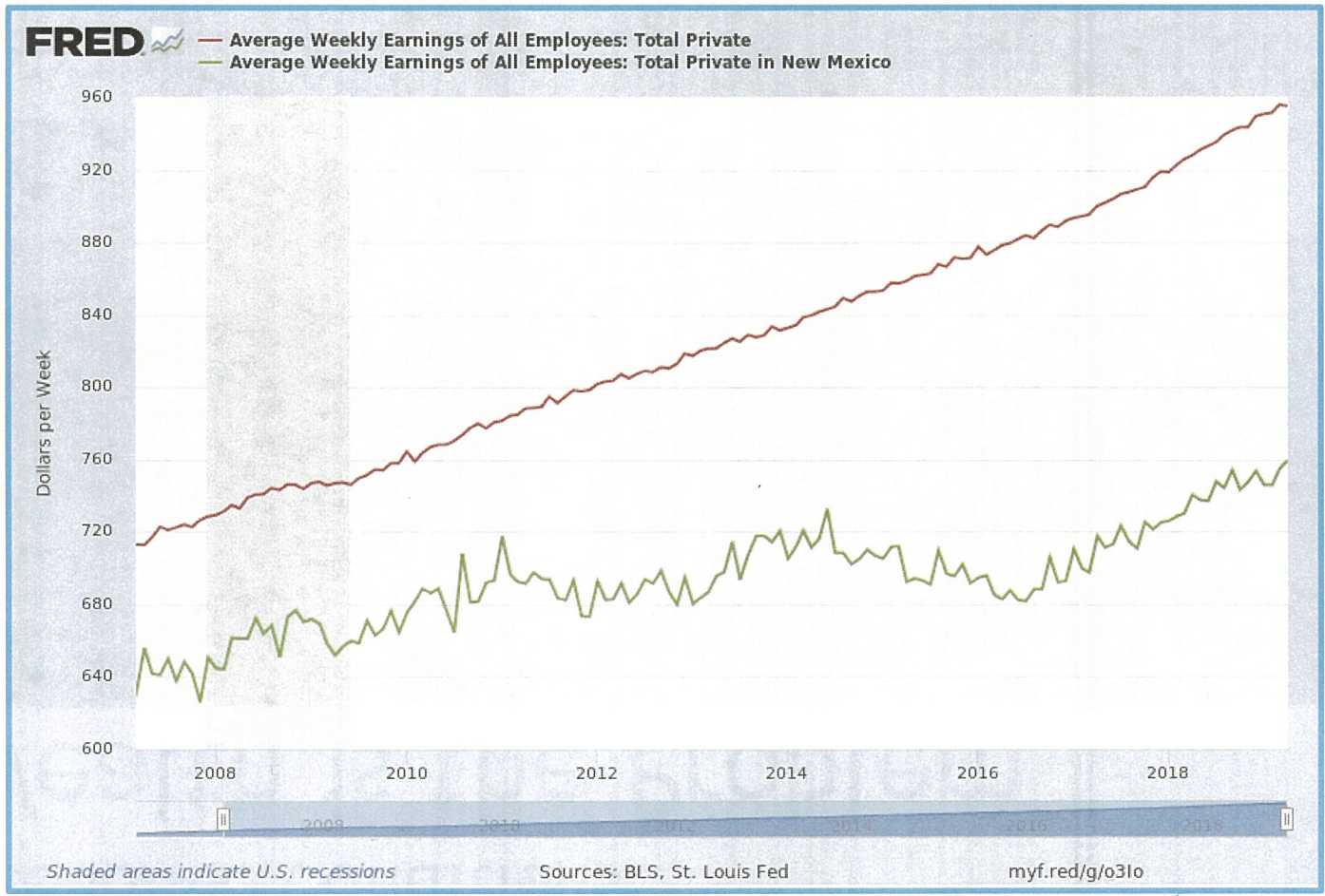
Measuring jobs is easy, and cost is the only easy way LFC has to compare across various programs without resources to do real evaluations.

* New Mexico's unemployment rate is only 4.9%, but wages are low and wage growth is slow - we have a wealth problem, not a jobs problem.

Economic Conditions

Wealth is the Problem





New Mexico Wealth Levels Impact Key Quality of Life Rankings

Kids Count 2018 Rankings

- ▶ Overall Child Well-Being: New Mexico is 50th
- ▶ Economic Well-Being: New Mexico is 49th
- ▶ Education: New Mexico is 50th
- ▶ Health: New Mexico is 48th

Census Data

- ▶ Percent of Households receiving food stamps: 17.0% (NM is 49th of 52)
- ▶ Percent of Uninsured: 9.1% (NM is 36th of 52)
- ▶ Median Income for Households: \$46,744 (NM is 47th of 52)

Historically focused on jobs --

Now we are focusing on wealth

NMEDD Objectives

- ❖ Increase wealth creation: earnings & investment
- ❖ Improve economic opportunities for New Mexicans
- ❖ Focus on rural communities
- ❖ Diversify economy

How do we accomplish these objectives?

- ❖ Collaboration across agencies and local, state, federal organizations
- ❖ Aggressive recruitment
- ❖ Invest in growing start-ups
- ❖ New programs & funding for existing programs where necessary
- ❖ Target industries - no scattershot approach

Target Industry Sectors

- ▶ Aerospace = *Spursport*
- ▶ Biosciences
- ▶ Cybersecurity
- ▶ Film & Television
- ▶ Global Trade
[*Inter modal*]
- ▶ Intelligent Manufacturing
- ▶ Outdoor Recreation
- ▶ Sustainable & Green Energy < *EPA*
- ▶ Sustainable & Value-Added Agriculture

Call Centers - An Industry No Longer Targeted

Traditional call centers

- Labor-intensive but not typically high-wage
- Minimal capital investment
- No significant skills required

NMEDD will assist, but we won't provide the same level of incentives - maximum \$1,000 per job for LEDA in urban areas

Local Economic Development Act (LEDA)

LEDA: Rural vs Urban FY14 - FY19

	Urban	Rural
Jobs	6,246	3,889
Private Investment	\$1,248,049,348	\$1,026,779,091
LEDA Amount	\$45,008,580	\$38,124,838
LEDA per Job	\$7,206	\$9,803
Average Salary	\$45,726	\$34,773

- ▶ Harder to recruit jobs to rural areas and cost is higher
- ▶ Private investment and LEDA amounts are almost as high in rural areas as urban
- ▶ Average salaries were low - result of focus on jobs instead of wealth

Rural v Urban: Prioritizing Funding

- ▶ Two sets of targets - urban and rural
- ▶ Rural areas have unique issues, many rural areas are struggling, and we should use different metrics for these projects
- ▶ We are looking at potential statutory changes (to LEDA and other programs) to improve our ability to assist rural areas and help projects that could have large, catalytic changes in these communities

LEDA: Cost Per Job Targets

- ▶ Target Industry Sectors
 - ▶ High wages & benefits
 - ▶ Potential for high levels of investment
 - ▶ Opportunities for significant growth
 - ▶ Build on existing clusters and local assets
 - ▶ Environmentally-appropriate

Overall cost per job target of \leq \$12,000*

*Over \$20,000 with extraordinary circumstances

will be plus in Quarterly Report

Post Performance LEDA Requirements

- ▶ Increase accountability
- ▶ Reduce need to claw back funds
- ▶ Result in significant differences between funds expended & funds obligated
- ▶ Focus on funds ⁽ⁱ⁾ obligated & ^(R) remaining balance
 - ▶ Not on funds expended

LEDA: Examples of Recent Wins

- ▶ Pebble Labs (Los Alamos) *8, #6, 2007 Avg. Salary!!!*
- ▶ NBCUniversal (ABQ) = *eng's ware house & gear store* *6th SS, no job & dupl*
② ; N-Fil address
- ▶ Boutique Unlimited Las Cruces = *Hemp* *2 - direct prof year (Apprenticeships)*
- ▶ C4 Enterprises (Tierra Amarilla)* *8 jobs = process jobs for auto & Bentley*
- ▶ SCEYE (Roswell & Moriarty) *connects telecomm to Vegas*
- ▶ Ganymede Games (Las Cruces)
Intelligent Manufacturing Download on Dtkind

Job Training Incentive Program (JTIP) *Abdul*

JTIP: Prioritizing Rural and High-Wage Jobs

- ▶ JTIP provides higher reimbursement for rural jobs
 - ▶ Urban: 50%
 - ▶ Albuquerque, Las Cruces, Los Alamos, Rio Rancho and Santa Fe
 - ▶ Rural: 65%
 - ▶ Frontier (<15,000 population and outside metro areas), Tribal, Colonias: 75%
- ▶ JTIP encourages high-wage jobs with additional 5% for jobs with salaries above \$60,000

JTIP: Possible Strategies

- ▶ For FY20 we are working with the board to increase wage thresholds
- ▶ For FY21, strategic changes may include:
 - ▶ Prioritizing industries that diversify the economy and state revenues
 - * ▶ Better alignment with target industries
 - * ▶ Better coordination with the Workforce Solutions and Higher Education Departments

*Agreement to
Align Policy between Dept.*

New Mexico Film Office (NMFO)

Film: Changes Effective July 1, 2019 (SB2):

- ▶ Annual cap increase
 - ▶ From \$50 million rolling cap to \$110 million rolling cap and \$100 million “hard cap” on backlog liabilities
- ▶ Tiered payout system eliminated
- ▶ Creation of “New Mexico film partners” *Commitment to N.M. 10 years*
- ▶ Extra 5% credit for filming in rural locations *Rq-land*
High jump

Film: Work being done to incorporate changes

- ▶ Held interagency meetings to develop processes for implementing SB2
- ▶ Updating software:
 - ▶ Allows for one-stop database for all information
 - ▶ Allows for ability to create a variety of reports
- ▶ Staff training (rules, processes, procedures)
- ▶ Created a model to estimate timing of payouts = EOB account in crisis
- ▶ Created a process to certify fund availability

Thanks Data we sent
has tracked progress
(6/1/12)

Film: Data capture process prior to this administration

- ▶ No process to track and report data
- ▶ No process to verify data given by productions
- ▶ No procedure to store/access documents
- ▶ Meetings to discuss incentives not held with every production

Info will be ready in Jan 2014

Film: Data capture process under new administration

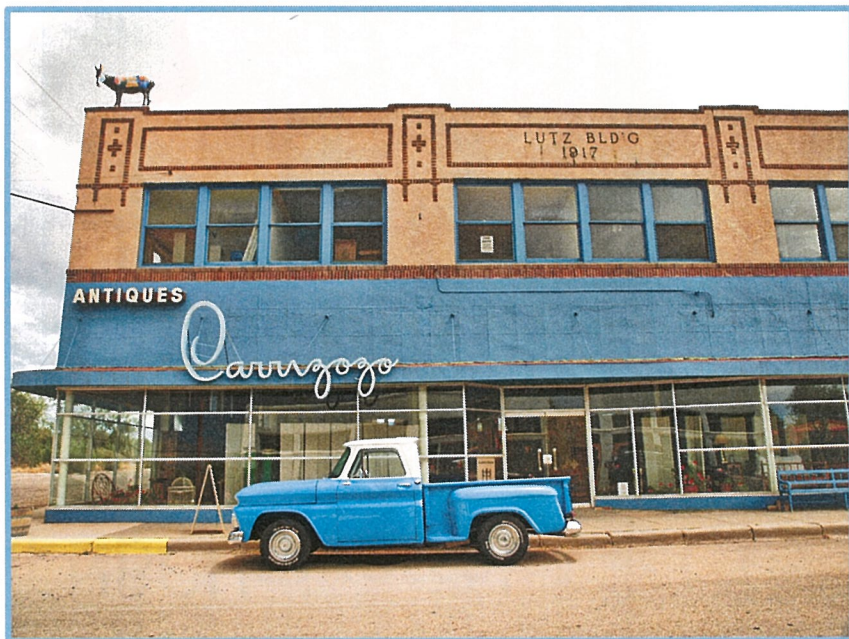
- ▶ Productions required to report amounts spent by county
- ▶ Spreadsheet created to track all data until ReelScout upgrade is complete (information being entered daily)
- ▶ Productions now asked to sign TIA (Tax Information Authorization) form
 - ▶ Will allow EDD/NMFO to access some information previously only accessible by TRD employees
- ▶ Meetings now scheduled with each production that is working with the NMFO

NBCUniversal



- New Mexico Film Partner
- 10 year commitment
- 330 Jobs
- \$500M in direct production spending *outside \$
com into NM*
- 10-year \$1.1B economic impact
- Workforce initiatives
- Director internships
- Wide variety of jobs and skillsets

Rural Film Locations Since January 1, 2019



- ▶ Alamogordo
- ▶ Carrizozo
- ▶ Cedar Crest
- ▶ Chama
- ▶ Espanola
- ▶ Farmington
- ▶ Hatch
- ▶ Las Vegas = *2 locations in NM. Carrizozo & Los Alamos*
- ▶ Navajo Nation
- ▶ Rio Arriba County
- ▶ Roswell
- ▶ Ruidoso
- ▶ Santa Clara Pueblo
- ▶ Shiprock
- ▶ Torrance County
- ▶ Valencia County
- ▶ Zia Pueblo

2020 Legislative Priorities

Rural Infrastructure Fund

It often takes longer to establish a business in a rural community because there are no available buildings or infrastructure

LEDA funds are tied to a specific business development project

- ▶ One-time special appropriation request in the 2020 legislative session
- ▶ The fund will exist within the LEDA statute but with different parameters to increase flexibility
- ▶ Sites will be prioritized based on infrastructure needs relative to economic development, and
 - ▶ Financial & other support from local government
 - ▶ Expected return on investment from the improvements
 - ▶ *** [Projects in rural opportunity zones will be given additional consideration] ***

HM16 Economic Development Innovation Task Force

Objectives:

- ▶ Create new ideas related to permanent or recurring sources of funding for economic development programs
- ▶ Develop an action plan to individuals back to the state via university alumni groups
- ▶ Identify efforts to support development of quality commercial & industrial spaces
- ▶ Explore other innovative concepts in economic development

Monthly meetings with areas of focus under 3 categories:

- ▶ Workforce, including talent recruitment
 - ▶ Need data on graduates & degrees that leave the state
 - ▶ Tax incentive for companies that hire our STEM graduates much like veterans' incentives
- ▶ Infrastructure, identify the development of quality commercial & industrial space
- ▶ Identify permanent and recurring funding sources and options

Three sub-groups taking on these categories individually and reporting back to the full task force.

Report of the Task Force is due October 15, 2019

Task Force Members

- ▶ NMEDD: Juan Torres
- ▶ DWS Designee: Davin Lopez, MVEDA
- ▶ HED: Kate O'Neill, Cabinet Secretary
- ▶ Public Post-Secondary Educational Institution Alumni Association: Alexis Kerschner Tappan, UNM Alumni Association
- ▶ Public Post-Secondary Educational Institution: Otto Khera, WNMU
- ▶ Speaker of the House Appointee: Rep. Andrea Romero
- ▶ Senate President Pro Tempore Appointee: Bill Sisneros
- ▶ House Minority Leader Appointee: Jon Henry, Artesia
- ▶ Senate Minority Leader Appointee: Sen. Gregory Baca
- ▶ State Land Commissioner Appointee: Steve Vierck
- ▶ NM Partnership: Tim Nitti
- ▶ NMIDEA Appointees:
 - ▶ Annemarie Henton, AED
 - ▶ Warren Unsicker, City of Farmington
 - ▶ Eric Montgomery, MVEDA
 - ▶ Eileen Chavez, Cibola Communities
 - ▶ Jason Espinoza, Facilitator

Improved Performance Measures & Reporting / Budget & Staffing

Performance Measures & Reporting

- ▶ Significant efforts to improve reporting and accountability across programs, not just film
- ▶ Working with LFC/DFA staff on new performance measures
- ▶ Focusing on outcomes, not outputs
- ▶ Still reporting jobs but focusing on wealth creation by reporting:
 - ▶ Investment levels
 - ▶ Average wages, comparisons with regional prevailing wages, etc.
 - ▶ Identifying ways to track historical jobs created and wages paid for companies announced in prior years to improve future funding decisions

JK
X

at low

A

new

; not important way to in

EDD Budget & Staffing: Past & Present

- ❖ FY10: 70 FTE (agency peak)
- ❖ FY20: 52 FTE *down*
- ❖ FY10 recurring general fund budget*:
\$7.9 million
- ❖ **\$9.4 million** in FY20 dollars after inflation
- ❖ FY20 recurring general fund budget*:
\$7.1 million
- ❖ **\$6.4 million** excluding other new non-operational funds

EDD Budget & Staffing

- ❖ Need funding for 2 grant writers to compete for millions in federal funds
- ❖ Need a second economist to track data and assist with economic analyses for all the projects under consideration
- ❖ Need funding for the Technology Research Collaborative to invest in startups
- ❖ NM has a great opportunity to foster an innovative, entrepreneurial ecosystem

Need Funds Reports in the fall

Questions?

ADDENDUM

LEDA Performance

	Historic LEDA* All Projects	LEDA w/o Call Centers	LEDA - Call Centers only	LEDA - Target Industries
Jobs	10,135	7,792	2,343	6,543
Private Investment	\$2,274,828,439	\$2,249,330,439	\$25,498,000	\$1,862,918,670
LEDA Amount	\$83,133,418	\$77,446,852	\$5,686,566	\$68,833,416
Leverage	27	29	4.5	27.1
Average Salary	\$40,848.00	\$46,919.00	\$30,047.93	\$46,177.46

JTIP Performance

	FY15	FY16	FY17	FY18	FY19	Total
Total companies served	59	60	57	58	70	248
Rural companies	13	8	16	24	25	70
Total workers trained	2,212	2,238	2,009	1,736	2,333	14,221
Rural workers trained	255	121	413	693	1,380	3,469
Urban workers trained	1,957	2,117	1,457	760	953	9,506
Total obligations	\$11.6M	\$13.5M	\$12.7M	\$15,593,031	\$16,767,513	\$77M
% (Total obligations) Rural	17%	6%	30%	30%	51%	20%