

# The Economic Development Accounting & Planning Act version 11.18

## 1. What is the Act intended to do?

The act is intended to enable and encourage higher levels of planning and accounting for state and local economic base job creation efforts at the level needed for underwrite and attract the scale increases in investment that will be needed to get the state back to full employment and economic prosperity.

## 2. How would you characterize the potential scope of this effort ?

This is a comprehensive overhaul of the state statutes governing tax payer supported assessment, planning and accounting for activities directly related to economic base job creation efforts. It recasts the business of assessing, planning, funding, managing and measuring economic base job creation efforts at the state and local level.

## 3. Why are we doing this? Why is it essential?

Before NM can fix any of its other problems, it must fix the economy.

More precisely, it must find a way to grow the economic base of the state faster than the population. Even more precisely, it must find a way to create economic base jobs faster in every community faster than they are being lost through natural attrition.

The Council has invested 4 years developing a consensus estimate of how many economic base jobs will need to be created to do this in each region of the state, what program efforts could create them, and what factor of production gaps would have to be cured for them to materialize.

Converting this assessment into concerted action requires prescriptive planning at the local level. This planning is not being done and there is no system in place, no funding and no trained personnel to do it. An economic base job creation planning system will require a significant state and local commitment to developing, funding and staffing the work.

And even if one were to develop prescriptive plans at the scale and depth required for underwriting investment in the organizations that would execute them, it is highly unlikely that the investment could be attracted or sustained without a comprehensive and rigorous accounting system behind it.

NM lacks the planning and accounting systems needed to assess, plan, organize, fund, manage and measure the kind of economic base program effort it will need to meet its minimal rate of job growth.

## 4. Who asked for this to be done?

The NM Legislative Jobs Council did.

- a. After three years and over 30 deliberative sessions around the state the Council concluded that there was not nearly enough prescriptive planning being done at the local level to produce the nuance understanding or the narratives needed to write prescriptive legislation for programs, policies or appropriations.
- b. Without a more comprehensive and rigorous statutory framework for planning and accounting of job creation efforts, the additional planning and investment required to reach minimal economic base job creation goals would be unachievable.
- c. In 2015 the Council voted unanimously to pursue development of a legislative proposal that would impose a more comprehensive and rigorous planning and accounting system for economic base job creation related activity.

**5. Why now? What is the hurry?**

There is no hurry as no legislation is being put forward until the 2018 and 2019 sessions. However, there is a considerable amount of deliberation needed and better to begin sooner than later.

**6. When would any proposed legislation from this effort go into effect? Why?**

If the project goes forward legislation will be probably be developed, proposed and brought to the legislature in phases. And no part of it is anticipated go into effect until 2019 when a new governor takes office.

- a. This allows the current administration to look at these proposals free of the concern that they would have to deal with its implementation in the waning days of their term.
- b. It also gives the bill's constituents time to process the size and scope of the proposed bill and thoroughly vet key provisions.
- c. It also provides the time needed to generate the bi-partisan support that will be needed for passage and implementation.

**7. What are the current component parts of the initiative?**

**Architecture Section 1**

- a. This part of the bill pulls all state statues directly related to economic base job creation into one place in the code. Right now they are scattered all over the code and impossible for most people to navigate.
- b. It also attempts to refine the intellectual and organizational framework for state sponsored economic development and the definition of key terms and concepts that will be the basis for subsequent provisions contemplated in the bill.

### **Accounting - Section 2**

- c. This section of the bill is intended to collect, organize, align, clarify, and tighten eligibility requirements and the decision making protocols used to approve incentives and program appropriations directly related to the creation new economic base jobs.
- d. Establish the means and methodologies required to collect and analyze the data needed to report the job creation return on investment over time for each state tax expenditure, incentives and program appropriation without violating personal or corporate privacy concerns.

### **Planning - Section 3**

- e. This section attempts to establish a comprehensive and rigorous planning framework and process for state and local organizations engaged in the procurement of new economic base jobs across all active program theaters.

### **Economic base Index - Section 4**

- f. This section establishes a new data collection and analytics system that reports incremental changes in the number of economic base jobs each quarter at the county, regional and state levels by collecting employer job numbers and percentage of income earned from out of state.

## **8. What is the purpose of the architecture section?**

- a. Begin to collect state statutes directly related to economic base job creation into one location in the code like other states to make navigation practical.
- b. Establish in statute a modern taxonomy for economic development including key terms and definitions central to the assessment, planning and measuring efforts related to economic base job creation.
- c. Clarification of economic base theory and its technical terminology. This is an important statutory addition because it is the legal basis for treating certain taxpayers and program efforts differently than others.
- d. For example the lack of a coherent reference to what constitutes economic base activity in statute and the definitions for its derivative terms made it difficult to defend recent legal challenges to the high wage jobs tax credit.

## **9. What are the likely consequences of failing to pass some or all of this initiative?**

- a. Failure to implement a comprehensive and rigorous accounting and planning act before the next governor takes office means a very high probability that the state and most of its communities will not have the

motivation or the resources to do the basic planning needed to underwrite higher levels of investment.

- b. Without a comprehensive and rigorous accounting system that better accounts for where the additional investment is going, what is expected to produce and how it is working against the plan, it will be difficult to impossible to convince those who would have to commit the additional public and private resources that it is prudent.
- c. Without scale increases in investment in State's job creation apparatus it will be impossible to generate enough new economic base jobs every year to offset attrition and close the current unemployment gap leading to continued economic malaise.
- d. The skepticism many New Mexicans have of the ability of public-private job creation programs to cause scale increases new job creation will grow eroding an already inadequate apparatus.

**10. What are the expected benefits of passing some or all of this initiative?**

- a. Better data so stakeholders will have clear reliable data on the performance of state and local job creation efforts and the discretionary incentives, tax expenditures and program appropriations used to create economic base jobs.
- b. More respect, confidence and support for job creation efforts.
- c. Better policy and program prioritization.
- d. More planning resources and motivation for communities to do the critical planning needed to underwrite the investments and actions needed to cure critical factor of production gaps.
- e. More investment into state and local job creation program efforts.
- f. More economic base job creation, enough to grow the economic base faster than the population.
- g. Tax revenue growing faster than service burden.

**11. What are the potential risks and unintended consequences of this initiative?**

There is significant potential risk of negative unintended consequences from this effort.

- a. A more rigorous planning and accounting system will impose significant administrative and costs on institutions, programs and practitioners that without the additional resources would effectively decrease instead of increase program capacity.
- b. The effort itself could be misconstrued or misrepresented by some as needed to prevent sloppy or inadequate accountability practices.

- c. New reporting could make some certain incentives unmarketable to the economic base employers they are designed to help by making them too complicated, expensive to administrate, too invasive.
- d. The bill opens up all the statutes related to economic base jobs in one place inviting legislative mischief from those who believe economic development efforts are futile and should be eliminated.

**12. How did the Council approach this work?**

- a. During the second year of Jobs council deliberations, the need for a more comprehensive and rigorous planning and accounting system emerged as a major priority.
- b. In 2015 a conceptual outline of what might be included in such a system was developed and vetted through multiple deliberations of the Council and attendees who volunteered to counsel the contract team.
- c. During the 2015 Council season the contract staff researched and drafted several background documents and produced a structural outline for the project and vetted it with four subject matter experts.
- d. At the end of the 2015 interim period the Council voted unanimously to continue development of a draft of an Economic Development Planning and Accountability Act in 2016.
- e. As a result the 2016 Jobs Council's program of work included the goal of developing an outline-architecture for a proposed bill, an inventory of elements to be considered for inclusion, an internal discussion draft and process timeline options.
- f. As the contract team developed the internal discussion draft, the shear volume and technical complexity of the subject matter necessitated breaking the bill into 4 sections each with its own time line.

**13. Who is doing the work?**

Contract team to the NM Legislative Jobs Council;

- a. Jim O'Neill - Tax Policy Analyst
- b. Mark Lautman - Economic Development Policy Analyst

**14. What is the process and time line for coming up with a bill?**

See timeline exhibit;

**15. What, if any, parts of this package could be ready for legislative action this year? What will the Council be asked to do at its November meeting?**

No parts of the bill are expected to be ready for legislative action in the coming session. Only the first section of the internal draft has been through a users review and deemed ready for formal stakeholder review. A discussion draft of Section 1 will be presented at the November 22nd meeting.

The Council may be asked to decide whether to continue the process on the suggested timeline.

**16. What are the next steps? Options?**

- a. End the effort.
- b. Continue the work this year.
- c. Continue the work next year.

**17. What is the criteria for inclusion?**

Does a proposed change, addition or deletion help clarify, organize and measure state and local economic base job creation efforts?

**18. Why did the team draft the initial working documents in legislative bill language instead of straight forward prose?**

- a. The early research and architecture development work involved identifying, sorting and collecting potentially relevant elements in the existing code into a resource document which by default is written in bill language.
- b. Many of the proposed changes, additions, and deletions would require precise wording to effect the intended change, addition or deletion.
- c. The contract team wanted to avoid the duplication of work associated with writing a white paper level draft, translating it to legislative language.

**19. Why is the current draft embargoed? Why hasn't the process been more open?**

- a. The Jobs Council Co-chairs and the contract staff wanted to complete a first round of research and draft work and complete an initial vetting series with a small user group before bringing the draft or component parts forward for consideration for legislative action.
- b. Given the time and resource constraints, the Council Co-chairs and the contract staff considered it impractical to attempt the early research, drafting and vetting work through a public process.
- c. Given the Council's timeline, the volume of content, the pace at which the work would have to be done and the time limitations of the stakeholders and users who would have to volunteer their time for multiple review and input the team decided to keep the circle

**20. How will final decisions about the bill's content be made?**

- a. Final decisions about the bill's scope and content will be made by the legislative process.
- b. Decisions about the content of a draft legislative bill in this case will be made by the Jobs Council.
- c. The Council's rules require unanimous approval by the members, legislative sponsors from both parties and both houses, concurrence from the cabinet agencies who would have to administrate the measures and the support of a public-private constituency group.

**21. To what extent is this effort motivated by concerns about misuse of taxpayer funded incentives or program investments?**

- a. This effort is not motivated by concern that any current incentive programs are being misused or abused. The State's current job creation incentive programs and incentives are being carefully and diligently administrated.
- b. This effort is motivated by a collective realization that the scale increases in planning and investment required to create new economic base jobs at the rate needed will never happen without a more comprehensive and rigorous accounting system that allows those asked to do the planning and make the investment to know where the money is going, what it is expected to produce and ultimately the results.

**22. Who will the likely proponents and opponents be?**

- a. If you believe the scale, scope and level of investment in state and local job creation program efforts is adequate or even near adequate this initiative will seem unnecessary, extreme, needlessly expensive and dangerous.
- b. If you believe that state and local job creation efforts, no matter how well planned or funded, have little or no practical impact on the rate of job creation and the ability of communities to manage their economies, this initiative might be looked on as a legislative opportunity to expose tax payer support of state and local economic development as wasteful corporate welfare in order to divert those resources to other priorities.
- c. However, if you believe that well planned, fully funded and professionally staffed job creation programs can and do cause the creation of economic base jobs that would otherwise would not be created and if you believe that the scale, scope and investment in New Mexico's job creation efforts will have to grow considerably over the next ten years to have a chance of getting back to a net positive revenue scenario for households, tax dependent institutions, businesses, and households, then you should find the both the intent and the content of this bill a compelling linchpin to the economic futures of the state and its communities.