

Economic and Rural Development Committee

2009 INTERIM REPORT



New Mexico State Legislature
Legislative Council Service
411 State Capitol
Santa Fe, New Mexico

December 2009
www.legis.state.nm.us

Economic and Rural Development Committee 2009 Interim Summary

During the 2009 legislative interim, the Economic and Rural Development Committee (ERD) focused on several hot-button issues, including tax increment development districts (TIDDs), accountability problems with tax incentives and work force training and development.

The committee reviewed the practical effects of TIDDs, including a review to determine if amendments are necessary to accomplish the state's goals in creating the districts and examined the potential for future TIDDs.

The committee assessed the return on investment for tax credits, looked at ways to improve tax incentive accountability and identified incentives to attract new businesses. In addition, the Legislative Finance Committee and the Taxation and Revenue Department gave a presentation on best practices for tax incentives in order to ensure that the state is making sound investments to grow the economy.

Additionally, the committee heard several presentations on the business climate and on developing a stronger work force in New Mexico. The committee requested that representatives from the Higher Education Department, the Public Education Department, the Economic Development Department, the Workforce Solutions Department and the private sector to present on ways in which those agencies communicate with the private sector to determine the needs of business and, subsequently, how relevant training programs are instituted.

In each community visited, the committee heard presentations on steps local governments are taking to attract businesses to the area as well as how communities are dealing with higher unemployment and a failing economy.

Industries that the committee explored included renewable energy, the spaceport, agriculture and uranium mining. The committee also explored the burgeoning wine industry, from growth to production, in southern New Mexico.

APPROVED 2009 WORK PLAN AND MEETING SCHEDULE
for the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

The Economic and Rural Development Committee (ERD) was created by the New Mexico Legislative Council on May 7, 2009.

Members

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Andrew J. Barreras
Sen. Mark Boitano
Rep. Ernest H. Chavez
Rep. Nora Espinoza
Sen. Mary Jane M. Garcia
Rep. William J. Gray

Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Sen. Timothy M. Keller
Rep. Patricia A. Lundstrom
Sen. Howie C. Morales
Sen. George K. Munoz
Rep. Debbie A. Rodella
Sen. William E. Sharer

Advisory Members:

Sen. Rod Adair
Sen. Sue Wilson Beffort
Rep. Zachary J. Cook
Rep. Nathan P. Cote
Sen. Dianna J. Duran
Sen. Tim Eichenberg
Rep. John A. Heaton
Rep. Sandra D. Jeff
Sen. Carroll H. Leavell

Rep. James Roger Madalena
Rep. Antonio "Moe" Maestas
Sen. Richard C. Martinez
Rep. Rodolpho "Rudy" S. Martinez
Rep. Andy Nuñez
Rep. William "Bill" Rehm
Sen. John M. Sapien
Rep. Shirley A. Tyler
Rep. Richard D. Vigil

Work Plan

During the 2009 interim, the Economic and Rural Development Committee proposes to address the following:

1. Evaluate the home mortgage crisis in New Mexico, including a review of the Home Loan Protection Act, foreclosure rates, predatory lending practices, congressional solutions and potential state initiatives.
2. Lack of a well-trained work force is often cited as one of the barriers to business recruitment. The committee plans to review the implementation of Senate Bill 46 to develop high school pre-apprenticeship programs and examine additional statewide opportunities in vocational education and the needs of New Mexico's job market.
3. Study ways to encourage higher education to emphasize degree programs currently in short supply as well as review work force talent retention problems. The committee also plans to evaluate the cultural competency curriculum for students entering health professions.

4. Receive a presentation from the Workforce Solutions Department on unemployment issues and review statewide work force demographic changes.
5. Evaluate the economic impact of the wine industry from growth to production and determine whether policy changes are necessary to support the industry.
6. Review the practical effects of the changes to tax increment development district (TIDD) statutes in New Mexico, including a review to determine if amendments are necessary to accomplish the state's goals in creating the districts. The committee will examine existing TIDDs, the new TIDD at Winrock and potential future TIDDs in Las Cruces and the SunCal TIDD.
7. Review annexation issues pursuant to House Memorial 60, including the benefits and drawbacks of expanding municipal boundaries as well as annexation procedures. Specifically, the committee will hear a presentation on the regionalization efforts of White Sands Missile Range.
8. Oversee the efforts of the Economic Development Department to attract economic activity to New Mexico and assess the return on investment for tax credits encouraging economic development, including film, energy and the job training incentive program.
9. Receive a report from the Tourism Department on the effects of this ailing economy on New Mexico tourism and study the potential for promoting "adventure/eco-travel".
10. Continue to examine the needs of rural communities, including tribal economic development, New Mexico rural poverty, asset deficits and individual development accounts.
11. Continue to evaluate collaboration opportunities with the national laboratories.
12. Examine the new model Administrative Procedures Act, assess its impact on business and develop an approach to improving regulatory processes. The committee voted to create a Regulatory Processes Subcommittee, comprised of six members, subject to approval by the New Mexico Legislative Council. At the June 24 meeting of the New Mexico Legislative Council, the council did not accept the Economic and Rural Development Committee's proposal. Instead, the council voted to create a subcommittee composed of members of the Economic and Rural Development Committee, Revenue Stabilization and Tax Policy Committee and Courts and Criminal Justice Committee. The council approved one two-day meeting for the 2009 interim.
13. Review recommendations and the report from the Consumer Lending Task Force and look at recommended legislation.
14. Evaluate emerging economic sectors in New Mexico, identify incentives to attract new business and investment and examine methods to cultivate opportunities for existing business. The committee will focus on incentives for the renewable energy industry, specifically exploring the possibility of renewable energy payments as an incentive to encourage use of alternative energy (House Memorial 96) and studying regulation of commercial wind facilities (House Joint

Memorial 75).

15. Receive an update on the progress of Spaceport America.
16. Review arts and culture as a means of economic development pursuant to House Memorial 112.
17. Explore agricultural issues, including the chile industry, organic farming, dairy and hemp commercialization (Senate Memorial 30).
18. Receive an update on uranium mining, including development and cleanup.
19. Study the statutory and regulatory powers of homeowners' associations and, conversely, the rights of members.
20. Explore the economic development impact of transportation infrastructure.
21. Receive an overview of the federal stimulus package, including plans for transportation, government services and the status of grant applications.

(Please note: All appropriation requests will be limited to the November committee meeting with the exception of presentations by host communities.)

MEETING SCHEDULE

<u>Date</u>	<u>Location</u>
June 1	Santa Fe
July 8-10	Deming/Elephant Butte
August 26-27	Albuquerque/Belen
September 28-29	Taos/Angel Fire
November 11-13	Santa Fe

Agendas

**TENTATIVE AGENDA
for the
FIRST MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**June 1, 2009
Room 322, State Capitol**

Monday, June 1

- 10:00 a.m. **Call to Order**
- 10:05 a.m. **Economic Development in Santa Fe**
—David Coss, Mayor, City of Santa Fe
- 10:45 a.m. **Interim Committee Protocols**
—Paula Tackett, Director, Legislative Council Service (LCS)
- 11:15 a.m. **2009 Legislation — Summary**
—Kate Ferlic, Staff Attorney, LCS
- 11:45 a.m. **2009 Interim Work Plan and Meeting Schedule Development**
—Kate Ferlic, Staff Attorney, LCS
- 12:30 p.m. **Adjourn**

Revised: July 6, 2009

**TENTATIVE AGENDA
for the
SECOND MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**July 8, 2009
Mimbres Valley Special Events Center
2300 E. Pine St.
Deming**

**July 9, 2009: 9:00 a.m. to 12:30 p.m.
Mimbres Valley Special Events Center
Deming**

**July 9: 5:00 p.m. to 7:30 p.m.
Marina Del Sur
Elephant Butte**

**July 10, 2009
City Hall
103 Water St.
Elephant Butte**

Wednesday, July 8

- 10:00 a.m. **Call to Order**
- 10:01 a.m. **Deming: Facing the Future**
—Mayor Andres Z. Silva, City of Deming
—John Sutherland, Luna County Manager
—John Strand, Governmental Affairs, Sun Zia Southwest Transmission Project
- 10:30 a.m. **Deming Mainstreet: A Success Story**
—Tyler Vendrely, President, Deming Main Street Program
—Phillip Gallegos, Director of Community Outreach, University of New Mexico
School of Architecture
- 11:00 a.m. **Overview of Economic Development Department Programs**
—Secretary Fred Mondragon, Economic Development Department (EDD)
—Andrew Moralez, Executive Director, New Mexico Border Authority
—Juan Massey, Director, Office of Mexican Affairs, EDD

- 12:30 p.m. **Lunch**
—William Kellen, CEO, American Family Entertainment Centers
- 1:30 p.m. **Chile Industry**
—Charlie Marquez, Lobbyist, New Mexico Chile Association (NMCA)
—Dino Cervantes, Treasurer, NMCA, and Dona Ana Farmer
—Gene Baca, President, NMCA, and Vice President of Bueno Foods
—Dr. Stephanie Walker, Extension Vegetable Specialist, New Mexico State University (NMSU)
- 2:00 p.m. **The State of Dairy in New Mexico**
—Sharon Lombardi, Executive Director, Dairy Producers of New Mexico (DPNM)
—T.J. Trujillo, Counselor, DPNM
- 2:30 p.m. **Break**
- 4:00 p.m. **Meet at Holiday Inn, 4600 E. Pine St., Deming, for Bus Transport to Luna Rossa Winery**
- 4:30 p.m. **Wine Growing How-Tos in New Mexico**
—Dr. Bernd Maier, Extension Viticulturalist, Extension Plant Science Department, NMSU
—Dr. Natalie Goldberg, Department Head, Extension Plant Sciences Department, NMSU
—Dr. Jon Boren, Associate Dean and Director for Cooperative Extension, NMSU
- Economic Impact of the Wine Industry: Past, Present and Future**
—Steve Jaszai, President, New Mexico Wine Growers Association (NMWGA)
—Lori Paulson, St. Clair Winery
- Statutory, Regulatory and Legal Issues**
—Dan Weeks, Lobbyist, NMWGA
- 6:00 p.m. **Reception**
- 8:00 p.m. **Bus returns to Holiday Inn**

Thursday, July 9

- 9:00 a.m. **Farmers Market: Ways to Support New Mexico's Small Farmer**
—Denise Miller, Director, New Mexico Farmers' Markets
—Pam Roy, Co-Director, Farm to Table
- 9:45 a.m. **Marketing and Sales in the Pecan Industry**
—Brad Lewis, Assistant Division Director of Agriculture and Environmental Services, NMSU
- 10:15 a.m. **Medical Marijuana**
—Secretary Alfredo Vigil, M.D., Department of Health
- 11:30 a.m. **Enhancing Our Economy Through Agro-Security**
—Billy Dictson, Director of Biosecurity, College of Agriculture, NMSU
- 12:30 p.m. **BREAK for Travel to Elephant Butte**
- 5:00 p.m. **Elephant Butte Lake Boat Ride from Marina Del Sur (at the Main Entrance to Elephant Butte Lake State Park)**
- Economic Development in Elephant Butte**
—Eunice Kent, Mayor, City of Elephant Butte
—Alan Brown, Mayor Pro-Tem, City of Elephant Butte
—Patsy Barnett, President, Sierra County Economic Development Organization
—Kim Skinner, President, Sierra County Regional Tourism Advisory Board
—Susan LaFont, President, Elephant Butte Chamber of Commerce
—Alan Briley, City Manager, City of Elephant Butte
—Jack and Russell Whitt, Turtleback Mountain Resort

Friday, July 10

- 9:00 a.m. **Spaceport America Report**
—Steven Landeene, Executive Director, New Mexico Spaceport Authority
- 10:00 a.m. **Tourism as New Mexico's Economic Boon**
—Jennifer Hoffman, Deputy Secretary, Tourism Department
—Gina L. Kelley, Director of Tourism, Sierra County Recreation and Tourism Advisory Board
- 11:00 a.m. **Regionalization Efforts for White Sands Missile Range**
—Greg DeVogel, Director of Plans and Operations, White Sands Missile Range
—Commissioner William Connor, New Mexico Military Base Planning Commission
- 11:45 a.m. **Expansion of the National Solar Observatory Project**

—Dr. Jim Peach, Ph.D., Professor of Economics and International Business, NMSU
—Dr. James Murphy, Ph.D., Professor of Astronomy, NMSU

12:30 p.m. **Adjourn**

Revised: August 25, 2009

**TENTATIVE AGENDA
for the
THIRD MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**August 26, 2009
Tome Dominguez de Mendoza Community Center
2933 NM-47
Los Lunas**

**August 27, 2009
University of New Mexico (UNM) Student Union Building
Ballroom C
Albuquerque**

Wednesday, August 26

- 10:00 a.m. **Local Economic Development Issues in Valencia County**
—Mayor Ronnie Torres, City of Belen
—Mayor Robert Vialpando, Village of Los Lunas
—Mayor Bryan Olguin, Town of Peralta
—Mayor Wayne Ake, Village of Bosque Farms
- 10:45 a.m. **Are Tax Increment Development Districts Good for New Mexico?**
—Dan White, Financial Economist, Legislative Finance Committee
—Clinton Turner, Senior Economist, Taxation and Revenue Department
—Dick Minzner, Lobbyist, SunCal New Mexico
—William Slettom, Downtown Development Coordinator, City of Las Cruces
- 12:30 p.m. **Lunch**
- 1:00 p.m. **Race Day Decision**
—Pat Bingham, Executive Director, New Mexico Horsemen's Association
—Julian Luna, Agency Director, New Mexico Racing Commission (NMRC)
—Eddie Fowler, Vice Chair, NMRC
—Larry Delgado, Commissioner, NMRC
- 2:00 p.m. **Los Alamos National Laboratory (LANL) Technology Transfer Overview
and Effect on Economic Development**
—Steven P. Girrens, Technology Transfer Division Leader, LANL
—Belinda Padilla, Program Manager for Business Development, LANL

- 2:40 p.m. **Sandia National Laboratories Economic Development Impact in New Mexico**
—Jackie Kerby Moore, Executive Director, Sandia Science and Technology Park,
Sandia National Laboratories
- 3:20 p.m. **House Bill 261: Confusion in Its Application to New Builds**
—Katherine Martinez, Home Builders Association of Central New Mexico
- 3:45 p.m. **Municipal Annexation: Statute Review Pursuant to House Memorial 60**
—Representative Joseph Cervantes
—Janet Jarrett, Chair, Board of Directors, Middle Rio Grande Conservancy District
—Bill Fulginiti, New Mexico Municipal League
—Representative Paul C. Bandy

Thursday, August 27

- 9:00 a.m. **Welcome**
—Rita Martinez-Purson, Dean of Continuing Education, UNM
- 9:05 a.m. **Albuquerque Economic Development**
—Mayor Martin J. Chavez, City of Albuquerque
- 9:30 a.m. **American Recovery and Reinvestment Act: Economic Development Money
in New Mexico**
—Governor Toney Anaya, Director, New Mexico Office of Recovery and
Reinvestment
- 10:30 a.m. **Overview of Fiscal Impact of Economic Development Programs: Return on
Investment Analysis**
—David Lucero, Principal Analyst, Legislative Finance Committee
- 11:30 a.m. **The Work of the South Valley Economic Development Center (SVEDC)**
—Tony Gallegos, Executive Director, SVEDC
- 12:00 noon **Adjourn**

Revised: September 24, 2009

**TENTATIVE AGENDA
for the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**September 28, 2009
Taos Convention Center
120 Civic Plaza Drive**

**September 29, 2009
Ohkay Owingeh Resort Hotel and Conference Center
Ballroom C/D
Española**

Monday, September 28

- 10:00 a.m. **Welcome: Economic Development in Taos**
—Mayor Darren Cordova, Town of Taos
- 10:15 a.m. **Demographic Modeling to Address Economic Development Hurdles**
—Dr. Dely Alcantara, Senior Research Scientist, Bureau of Business and
Economic Research, University of New Mexico (UNM)
- 11:15 a.m. **Work Force Training Presentations and Panel Discussion**
—Dr. Beverlee McClure, President and Chief Executive Officer, Association of
Commerce and Industry
—Ken F. Ortiz, Secretary, Workforce Solutions Department
—Dr. Catherine Cross Maple, Deputy Secretary, Public Education Department (PED)
—Len Malry, Director of Work Force Education, Higher Education Department
- 1:00 p.m. **Working Lunch**
- Work Force Training: Curriculum Development at the University of New
Mexico (UNM)**
—Dr. Kate O'Neill, Executive Director, UNM-Taos
—Dr. Suzanne Ortega, Provost, UNM
—Dr. Rita Martinez-Purson, Dean of Continuing Education, UNM
- 2:00 p.m. **Survey of Economic Development Incentives: Good Tax Policy to
Promote Strong Return on Investment**
—David Lucero, Principal Analyst, Legislative Finance Committee (LFC)
—Tom Clifford, Economist, LFC
—Jim Nunns, Tax Policy Director, Taxation and Revenue Department

5:00 p.m. **Recess**

Tuesday, September 29

9:00 a.m. **Welcome: Economic Development in the Espanola Valley**

- Daniel Duran, City Council, City of Espanola
- Marcelino Aguino, Governor, Ohkay Owingeh
- Walter Dasheno, Governor, Pueblo of Santa Clara

9:30 a.m. **Apprenticeship Programs: Growing a Work Force in New Mexico**

- Melissa Lomax, Bureau Chief, Career, Technical and Workforce Education, PED
- Jerry Welch, Tech and Industrial Studies Dean, Dona Ana Community College
- Joe Jaramillo, Federal Programs Director/CTE Director, Alamogordo Public Schools
- Celina Bussey, Executive Director, IEC-Northern New Mexico Chapter
- Dave McCoy, Executive Director, New Mexico Sheet Metal Contractors Association

10:30 a.m. **City and County Reciprocity for Inspectors**

- Michael Arellano, President, New Mexico Conference of Building Officials

11:00 a.m. **The Regulatory Scheme in the Context of Economic Development**

- Kelly O'Donnell, Superintendent, Regulation and Licensing Department

12:00 noon **Lunch**

Adjourn

Revised: November 10, 2009

**TENTATIVE AGENDA
for the
FIFTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**November 11-13, 2009
Room 322, State Capitol
Santa Fe**

Wednesday, November 11

- 10:00 a.m. **Tres Amigas Transmission Project**
—Phillip G. Harris, President and CEO, Tres Amigas
- 11:00 a.m. **Uranium Mining Update**
—Bill Brancard, Director, Mining and Minerals Division, Energy, Minerals and
Natural Resources Department
—Jon Indall, Counsel for Uranium Producers of New Mexico
- 12:00 noon **Lunch**
- 1:00 p.m. **Telecommunications Competition and Facility Relocation Cost Recovery***
—Loretta Armenta, President, New Mexico Qwest
—Roman Maes, Lobbyist
—Michael Horcasitas, Regulatory Director, New Mexico Qwest
- 2:00 p.m. **Tax Incentives: Best Practices Bill***
—Kate Ferlic, Staff Attorney
—Tom Clifford, Economist, Legislative Finance Committee
—Richard Anklam, President and Executive Director, New Mexico Tax Research
Institute
- 3:00 p.m. **Property Tax Reporting Fix (Section 47-13-4 NMSA 1978) to Exclude New
Homes***
—Katherine Martinez, New Mexico Home Builders Association of Central New
Mexico
- 3:30 p.m. **Procurement Code Preferences**
—Kate Ferlic, Staff Attorney
—Senator Timothy M. Keller
- 3:45 p.m. **Grants to Energy, Minerals and Natural Resources**
—Senator Timothy M. Keller

Thursday, November 12

- 9:00 a.m. **Individual Development Accounts**
—Ona Porter, Executive Director, Community Action New Mexico
- 9:30 a.m. **Regulatory Process Legislation***
—T.J. Trujillo, Chair, Regulatory Committee, Second Vice Chair, Association of
Commerce and Industry (ACI)
—Beverlee McClure, President and CEO, ACI
—Representative Andy Nuñez
—Representative Andrew J. Barreras
- 10:00 a.m. **The Business Climate in New Mexico**
—David Doyle, President and Owner, Enterprise Builders (Albuquerque)
—Luis Reyes, CEO, Kit Carson Electric Cooperative (Taos)
—Denise Baker, President and CRO, D.R.B. Electric, Inc. (Albuquerque)
—Raymond Mondragon, Vice President, ENMR Plateau
- 11:00 a.m. **Regulatory Structure**
—Kelly O'Donnell, Superintendent, Regulation and Licensing Department
- 12:00 noon **Lunch**
- 1:00 p.m. **Combined Reporting**
—Senator Peter Wirth
—Michael Mazerov, Senior Fellow, State Fiscal Project, Center on Budget and
Policy Priorities
- 2:30 p.m. **Abuse of Credit Checks by Employers***
—Representative Patricia A. Lundstrom
- 3:00 p.m. **Transportation Weight-Distance Revenue Enhancements**
—Secretary Rick Homans, Taxation and Revenue Department
- 4:00 p.m. **Development of Citing Regulations for Wind***
—Eileen Mulvihill, Ph.D., NM Cares

Friday, November 13

- 9:00 a.m. **Spaceport Legislation**
—Steve Landeene, Chair, New Mexico Spaceport Authority
- 9:15 a.m. **New Mexico Rodeo Council**
—Debbie Romero, Director of Boards and Commissions, Office of the Governor
—Robert Detweiler, Chair, New Mexico Rodeo Council
- 9:30 a.m. **Arts and Cultural Districts**
—Rich William, State Coordinator, New Mexico Arts and Cultural Districts,
Economic Development Department
- 9:45 a.m. **Film Production Tax Credit**
—Lisa Strout, New Mexico Film Office
- 10:00 a.m. Other Legislation, Including:
—In-State Procurement Advantage
—Liquor Excise Tax
—Cigarette Tax
—Solar Observatory Memorial
—Tribal Cigarette Sales Tax
—Bachelors to Medicine Degree
—Demography Appropriation
—Food Retail Sales: LEDA
- 12:00 noon **Adjourn**

*includes a request for committee endorsement.

Minutes

APPROVED MINUTES
of the
FIRST MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

June 1, 2009
Room 322, State Capitol

The first meeting of the Economic and Rural Development (ERD) Committee was called to order by Senator Bernadette M. Sanchez, chair, at 10:15 a.m. on Monday, June 1, 2009, in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Andrew J. Barreras
Rep. Ernest H. Chavez
Sen. Mary Jane M. Garcia
Rep. William J. Gray
Sen. Timothy M. Keller
Rep. Patricia A. Lundstrom
Sen. Howie C. Morales
Sen. George K. Munoz
Sen. William E. Sharer

Advisory

Sen. Rod Adair
Sen. Sue Wilson Beffort
Rep. Zachary J. Cook
Sen. Dianna J. Duran
Sen. Tim Eichenberg
Rep. Sandra D. Jeff
Rep. James Roger Madalena
Rep. Antonio "Moe" Maestas
Sen. Richard C. Martinez
Rep. Andy Nunez
Rep. Richard D. Vigil

Staff

Kate Ferlic
Sandy Mitchell
Aldis Philipbar

Absent

Sen. Mark Boitano
Rep. Nora Espinoza
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Debbie A. Rodella

Rep. Nathan P. Cote
Rep. John A. Heaton
Sen. Carroll H. Leavell
Rep. Rodolpho "Rudy" S. Martinez
Rep. William "Bill" Rehm
Sen. John M. Sapien
Rep. Shirley A. Tyler

Guests

The guest list is in the original meeting file.

Monday, June 1

Economic Development in Santa Fe

David Coss, mayor, City of Santa Fe, presented the city's economic development and implementation strategies to the committee. Mayor Coss said that the objective of the development strategy in 2004 was to diversify the city's economy, reduce leakage and bolster innovation potential. In July 2008, the implementation strategy was adopted by the city council. According to Mayor Coss, the strategy focuses on five industry sectors, including "green jobs", media, technology, arts and culture and knowledge-based industries. He added that the strategy also focuses on business development, work force development and infrastructure. Mayor Coss reviewed a specific business development strategy called the Santa Fe "Buy Into It" campaign, which stresses the importance of shopping locally. He discussed the city's site and infrastructure projects like the American Airlines flights from Santa Fe to Dallas/Fort Worth beginning June 11, 2009, as well as a green-job work force training program that targets at-risk youth for apprenticeship programs called YouthWorks!. Mayor Coss also noted that Santa Fe's community assets (including the Railyard Park and Market Station, the farmers' market, the community convention center and the New Mexico History Museum) play a role in the community's stable economic base and make Santa Fe an international tourist destination.

Mayor Coss and Fabian Trujillo, City of Santa Fe, answered questions from the committee. Discussion centered around the struggles of attracting new companies without a trained work force. Committee members emphasized the need to perform a work force demographics study. In response, Mr. Trujillo said that the city had to put its current demographic project on hold. He said that the city had contracted with a demographer that uses a unique model called complex modeling. Mayor Coss noted that this type of modeling is very detailed and expensive. He said that the city is exploring the possibility of using multicounty demographic models, but that it is difficult to get support from local governments when revenues are dropping. He emphasized that the models are an important building block in economic development because it is difficult to recruit businesses when the city cannot promise a work force. It was suggested that Mayor Coss look into working with the Council of Governments and the University of New Mexico Center for Demographics on this issue. Mayor Coss also addressed questions about the Santa Fe Innovation Park, saying that it is an exciting, but unfunded, idea. He also addressed questions related to the Santa Fe Indian School. He said that the city has no authority over the property, but that it had been involved in preliminary discussions on the issue because the city would provide some basic infrastructure, including water and sewer. He said that the main impediment to development on the property is a lack of adequate funding.

Interim Committee Protocols

Paula Tackett, director, Legislative Council Service (LCS), addressed questions and concerns regarding interim committee protocols. She began with the issue of obtaining a quorum. She said that a quorum consists of half plus one of the voting members assigned to the committee. She said that the speaker of the house and the president pro tempore have the authority to appoint voting members to the committee. Once a quorum is established, it is presumed to exist. She also said that a committee can dissolve into a subcommittee to hear testimony as long as the number of advisory and voting members is equal to the number of members required for a quorum or the chair or vice chair is present along with one member from each house of each party (five total). She added that members may resign at any time and that only voting members are allowed to vote. She then discussed the blocking provision, which states that no action shall be taken if a majority of members from one house vote against the measure; however, she noted that this provision does not apply to every committee. Ms. Tackett addressed issues related to the sound systems in the committee rooms, saying that the sound systems adjust automatically and are easily disrupted by background noise. If a committee member is having trouble hearing, she suggested checking for excessive background noise (e.g., side conversations, paper rustling, typing, etc.). She also noted that laptop computer screens block the microphones and that the microphones should be turned off until a member is ready to speak to avoid feedback. Ms. Tackett discussed the interim committee calendar and said that meeting conflicts were avoided as best as possible during the calendar creation. She added that any changes to the calendar must be approved by the New Mexico Legislative Council. Finally, Ms. Tackett addressed issues with regards to chairing the committee, per diem and mileage forms and conference attendance.

2009 Legislation — Summary

Kate Ferlic, staff attorney, LCS, said that the majority of time and effort during the 2009 legislative session was directed toward the solvency package and fiscal year 2010 budget appropriations. She noted that even in the middle of this economic downturn, New Mexico has a number of industries that continue to support and sustain the state, primarily government, oil and gas and health care; however, new industries like renewable energy and film continue to catch the eyes of companies and investors. Ms. Ferlic said that only one committee-endorsed bill passed both houses and was signed into law. Senate Bill 46, sponsored by Senator Bernadette M. Sanchez, allows for school districts to provide for industry-taught or guided pre-apprenticeship programs for qualified high school students. Upon graduation, students are awarded a certificate that will count toward the completion of a registered apprenticeship. The rest of the committee bills failed, including:

- House Bill 502 — administration reorganization review (pocket veto);
- House Bill 571 — income tax credit for chile producers;
- House Bill 175 — prohibit selling of New Mexico higher education student lists to financial institutions;
- House Bill 570 — statutorily create the Economic and Rural Development joint interim committee;
- House Bill 574 — create the Administrative Procedures Task Force;

- House Bill 576 — amend the Administrative Procedures Act by providing agency licensing time frames;
- House Bill 45 — require the State Commission of Public Records to establish a filing system for regulatory impact statements and require all executive branch agencies, except for the Public Regulation Commission (PRC), to file a regulatory impact statement when a rule is filed with the State Records Center;
- House Bill 44 — create the Running Start for Careers Fund;
- House Bill 124 — services for homeless children (appropriation);
- Senate Bill 24 — arts services contracts (appropriation);
- Senate Bill 14 — business incubator program (appropriation);
- House Bill 569 — demographer models (appropriation);
- Senate Bill 110 — manufacturing extension services (appropriation);
- House Joint Memorial 17 — create a Financial Institutions Affairs Committee;
- Senate Joint Memorial 12 — study equity between telecommunications service providers; and
- Senate Joint Resolution 7 — constitutional amendment prohibiting any executive regulatory rule from taking effect until evaluated and approved by the appropriate committee.

Ms. Ferlic also noted that several bills were signed into law that were not endorsed by the committee but were still relevant to the ERD, including:

- Senate Bill 288 — enacts an awards procedure for public higher education institutions when programs for instruction and training related to alternative energy and energy efficiency are developed;
- Senate Bill 23 — appropriates \$2 million from the Public Project Revolving Fund to local governments for water/wastewater systems development, economic development, long-term water management and conservation strategies;
- Senate Bill 593 — establishes a program to pay medical school fees for eligible students who intend to practice primary care in rural areas; and
- Senate Bill 468 — directs the PRC to adopt rules regulating the propane industry to protect consumer rights.

Ms. Ferlic also pointed out that only one Tax Increment Development District (TIDD) passed. Senate Bill 467 allows for \$164 million in bonds to be secured by state gross receipts tax revenue and local gross receipts and property tax revenue for the Winrock/Quorum Town Center project in Albuquerque. She said that two other TIDD bills failed, one for the community development on the West Mesa of Albuquerque and another one for the Las Cruces Main Street development project, but the committee would visit those issues again during the 2009 interim per the New Mexico Legislative Council. Ms. Ferlic also pointed out that, despite the economic recession, Albuquerque ranked second in Kiplinger's 2009 Best Cities to Live and eleventh in Forbes' 2009 Best Places for Business and Careers.

Discussion regarding the importance of committee-endorsed legislation ensued, prompting Representative Lundstrom to move that the committee draft a letter to the New

Mexico Legislative Council asking for clarification on the weight of committee-endorsed legislation. The letter would ask the council to clarify whether a bill, memorial or resolution endorsed by one or more interim committees reflects significant legislative support for that proposal. The motion was seconded by Representative Mary Helen Garcia. The motion passed, with Senator Sharer and Representative Gray in opposition.

In relation to this issue, Senator Keller requested a five-year study from the LCS on the percent change between committee votes and floor votes.

2009 Interim Work Plan and Meeting Schedule Development

Ms. Ferlic reviewed the proposed work plan with the committee. Senator Bernadette M. Sanchez said that she had spoken with Ms. Tackett about forming a task force to study regulatory reform. A motion was made by Representative Mary Helen Garcia to form a six-member subcommittee on regulatory reform to give the issue adequate hearing time and focus. Representative Lundstrom seconded, and the motion passed unanimously. Volunteers for the subcommittee include Senators Beffort, Duran, B. Sanchez and Sharer and Representatives Barreras, M.H. Garcia, Gray, Jeff, Nunez and Vigil. The creation of the committee and meeting dates for the subcommittee will go to the council for approval.

Two other subcommittees were suggested, one regarding arts and culture and another related to the film industry, but no formal motions were made to establish these subcommittees.

Several other issues were raised in regards to committee work plan topics, including opportunities for economic development in tribal communities and job loss due to the tax on extractive industries. It was suggested that the Economic Development Department use the design multiplier model to study the latter issue. It was also noted that the Legislative Finance Committee would be looking into the tax.

On a motion made, seconded and unanimously approved, the committee work plan was adopted with changes.

There being no further business, the committee adjourned at 12:45 p.m.

**APPROVED MINUTES
of the
SECOND MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**July 8, 2009
Mimbres Valley Special Events Center
2300 E. Pine St.
Deming**

**July 9, 2009: 9:00 a.m. to 12:30 p.m.
Mimbres Valley Special Events Center
Deming**

**July 9: 5:00 p.m. to 7:30 p.m.
Marina Del Sur
Elephant Butte**

**July 10, 2009
City Hall
103 Water St.
Elephant Butte**

The second meeting of the Economic and Rural Development (ERD) Committee was called to order by Senator Bernadette M. Sanchez, chair, at 10:05 a.m. on Wednesday, July 8, 2009, at the Mimbres Valley Special Events Center in Deming, New Mexico.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair (7/8)
Rep. Andrew J. Barreras
Sen. Mark Boitano
Rep. Ernest H. Chavez
Rep. Nora Espinoza
Sen. Mary Jane M. Garcia
Rep. William J. Gray
Rep. Diane Miller Hamilton
Sen. Clinton D. Harden, Jr. (7/8-7/9)
Sen. Timothy M. Keller
Sen. Howie C. Morales (7/8-7/9)
Sen. George K. Munoz (7/8)
Rep. Debbie A. Rodella

Absent

Rep. Patricia A. Lundstrom

Advisory Members

Sen. Rod Adair
Rep. Nathan P. Cote (7/9)
Sen. Dianna J. Duran
Rep. John A. Heaton
Rep. Sandra D. Jeff (7/8-7/9)
Sen. Richard C. Martinez
Rep. Rodolpho "Rudy" S. Martinez (7/8-7/9)
Rep. Andy Nuñez
Rep. Shirley A. Tyler
Rep. Richard D. Vigil (7/9)

Sen. Sue Wilson Beffort
Rep. Zachary J. Cook
Sen. Carroll H. Leavell
Rep. James Roger Madalena
Rep. Antonio "Moe" Maestas
Rep. William "Bill" R. Rehm
Sen. John M. Sapien

Guest Legislators

Rep. Dona G. Irwin (7/8-7/9)

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Kate Ferlic
Sandy Mitchell
Aldis Philipbar

Guests

The guest list is in the original meeting file.

Wednesday, July 8

Representative Irwin served as a guest chair.

Deming: Facing the Future

Mayor Andres Z. Silva, City of Deming, began by stating that things are happening in Deming. He referred to some year-to-date figures, saying that the sales tax was at -4.5% and that unemployment for Luna County was at 17.7%. He said that 162 building permits had been issued, but that many people are not building new buildings, just remodeling them. He pointed out the new StarMax facility that includes theaters, an arcade, a bowling alley and miniature golf. He also discussed the Cedar Three Project, an extension of the Frontage Road. He said that a new Hampton Inn would be opening in September as well as a new McDonald's. He added that Wal-Mart is looking to invest \$1 million in its existing facility and that the new owner of the Deming Truck Terminal is looking at using it as an RV stop.

John Sutherland, Luna County manager, said that the assessment of community need is short term. He referred to a study conducted by the Bureau of Business and Economic Research that showed that the population increased by 30% in Luna County until tapering off in 2000. Since 2000, growth has declined substantially. He noted that the population is 64% Hispanic,

that the median age is slightly higher than the state median and that the county has a large retirement population and a large population under the age of 19. Mr. Sutherland said that the working population is smaller than that of the state and that opportunities to grow families are low. He also pointed out the low level of education in the area. Mr. Sutherland then discussed the county's plans for economic development. He said that the Hermanos Grade, an agriculture road, needs paving. It is taking a beating due to a step-up by the Border Patrol. He said that a truck bypass for Highway 11 is important to the future potential of Luna County, as well as the port of entry between the United States and Mexico. He said that the county will strengthen its commitment to post-secondary education and child care to allow parents to attend college. He said that the Regional Workforce Development Board has run out of funds, so it is losing programs from Western New Mexico University and Dona Ana Community College. Mr. Sutherland added that domestic violence is a big problem in the area, but that the sheriff has taken over the local shelter and has expanded services and is doing a great job. He stressed the importance of border security and said that the local authorities do not engage in federal enforcement but do work to protect local farmers. He said that the county will need the legislature's support in all these plans and that improving this area improves the whole state.

John Strand, governmental affairs, Sun Zia Southwest Transmission Project, said that the project will help the entire state. He said that the closing of several mines has had a huge impact on this area and those jobs need to be replaced. He explained that Sun Zia moves solar and wind power and that Luna and Hidalgo counties are rich in potential for solar power, but that it is very expensive to implement transmission lines. Mr. Strand said that three to four companies are looking into it. He said that Sun Zia plans to build two 500K-VAC lines that run through New Mexico to Arizona with dropoff points along the way. He called this a great opportunity for New Mexico. He noted that the company has five project participants and that this project would enable export of renewable generation resources from both states to western power markets. He said that this project encourages renewable energy investment in New Mexico and that the project is in phase one.

In response to questions from committee members, Mr. Strand said that the estimated cost of Sun Zia Southwest Transmission Project is \$1.2 billion and will be financed through the five partners. He said that they anticipate breaking ground in 2012 with completion by 2013. In addition, he noted the line will head toward the northeast area of the state, but not as far as Clayton due to costs. He added that another group from Denver is looking into investing in Clayton, so they may be able to benefit from that. Mr. Strand also said that Senator Tom Udall, Senator Jeff Bingaman and Representative Harry Teague are very aware of the project and are very supportive.

In response to a question from a committee member, Mr. Strand said that there are 300 to 350 border patrol agents and that many agents that work in Deming live in Las Cruces and many that work in Lordsburg live in Deming. He said that StarMax brings quality of life to Deming, so hopefully more agents will be living here.

Deming Mainstreet: A Success Story

Tyler Vendrely, president, Deming Mainstreet program, said that 40% of adults in Deming do not have a high school diploma and that Deming plans to move forward with education. He said that the city is at a pivotal point in economic development and pointed out the Beaver Report conducted due to Deming's designation as a Mainstreet community. He said that the city must be innovative about how to draw businesses into the community and that it needs to provide tools for success to talented community members to build small businesses. He emphasized that all jobs need to be created and stay within the community. He added that creative community efforts to generate jobs work better than an industry that comes in and creates jobs.

Phillip Gallegos, director of community outreach, University of New Mexico (UNM) School of Architecture and Planning, said that UNM students had the pleasure of working with that Mainstreet program in Deming. He explained that a study was conducted by the UNM School of Architecture and Planning students. He said the study had a limited context and was tied specifically to a graduate school function with the intention of partnering with the community to look at a planned vision for economic growth. Mr. Gallegos noted that the purpose of the design and planning center is to assess ways in which ideas can be tested and to examine specific possibilities. He added that the Deming community is greatly committed to the Mainstreet program.

In response to a question from a committee member, Mr. Vendrely said that Deming has been part of Mainstreet officially since October 2007.

Overview of Economic Development Department Programs

Secretary Fred Mondragon, Economic Development Department (EDD), said that the state unemployment rate is 6.5%, compared to 9.4% nationally, but that last year was the most successful year in job creation on record. He added that tourism dollars have not dropped off and that the northern part of state has the lowest unemployment rate (about 3%). He said that the state is working on bringing in new jobs while retaining businesses, but that the job training incentive programs (JTIP) took a hit this year. Secretary Mondragon pointed out that EDD has been able to stay within its budget, but it may be coming to the legislature for money for JTIP next year. He discussed the certified communities program in which the EDD works with communities to get them ready to recruit businesses. He noted that the film industry employs 9,000 people, that the business incubator program is very popular and a sixth incubator was recently certified. He discussed EDD priorities, including rural economic development, film and media expansion, technology-based economic development, international trade and foreign direct investment, community development and capacity building and sustainable economic development. Secretary Mondragon said that there are overseas companies that want to invest in renewable energy generators in the state. Additional priorities include developing public/private partnerships, Spaceport America, small business support programs and tribal economic development. The secretary then discussed recruiting strategies. He said that EDD regional representatives develop leads from communities and local economic development organizations, New Mexico partnership recruitment, the Office of Mexican Affairs and the Office of International Trades. He said that the agency conducts active marketing in the state and

industrial site selectors. He highlighted Schott Solar, which has 25% of its staff in New Mexico and is moving more here. He said that the EDD contracts with an outside company to determine the return on investment and that the EDD uses the Local Economic Development Act (LEDA) to ensure that companies take advantage of incentives and have clawbacks to protect taxpayer money. He added that each project must be funded through a community that has adopted a LEDA ordinance. Secretary Mondragon also discussed stimulus funds, saying that community representatives have worked with communities to identify projects and potential funding sources.

Andrew Moralez, executive director, New Mexico Border Authority, said that the purpose of the border authority mandate is to create infrastructure to support businesses and work with counterparts in Mexico to create new jobs. He said that the authority has been meeting with counterparts in Mexico to mirror plans in New Mexico to increase tourism between the two countries. He noted that the New Mexico Border Authority and the Office of Mexican Affairs have worked to expand the port-of-entry hours to assist commercial business. He also said that 400 kids cross the border to come to school in Deming every day and that the New Mexico Border Authority secured funding to provide canopies to help protect the children from the heat. He discussed some of the agency's projects, including the Santa Teresa rail relocation, Santa Teresa extension of hours, Columbus/Palomas port expansion and Antelope Wells/Berrendo Road construction.

Juan Massey, director, Office of Mexican Affairs, EDD, said that Mexico is the thirteenth-largest economy in the world and that his office's economic development plan is based on tapping into the Mexican economy. He discussed the maquiladora supplier program, which presents New Mexico as a convenient place for companies to locate to supply buyers around the world. Mr. Massey noted that any mom-and-pop shop can be a beneficiary of NAFTA and that the business accelerator program matches suppliers in New Mexico with buyers in Mexico.

In response to questions asked by committee members, Secretary Mondragon said that the biggest challenge with recruiting businesses into rural areas is the lack of a large work force. He said that Fortune 500 companies are looking at moving to New Mexico and hire hundreds of people, but these companies do not believe that an adequate work force exists in rural areas. He said that the EDD is getting more and more requests from small companies to move here, but the requirements are sometimes insurmountable (e.g., no freeway nearby). With regards to regulatory challenges, Secretary Mondragon said that the mandate to staff is to be user friendly. He said that the EDD tries not to be overregulated and intervenes when companies are having problems with other agencies. He also noted that finding employees is not as big of a problem now as it was several years ago when unemployment was lower; however, there is a problem with employees passing drug tests. He added that there has been some reversion due to the economic recession; companies that left for Asia are coming back to North America, specifically to the Mexico/U.S. border region. He said that JTIP funds are available to small companies. In response to another question, Secretary Mondragon said that the agency is having issues with three companies that were promised appropriations but did not receive any due to the current budget situation, but that the contract states that the governor will propose the appropriations; however, it is subject to legislative approval.

Lunch

Committee members attended lunch at the StarMax facility where they were led on a tour and given a brief presentation on the company's history by William Kellen, CEO, American Family Entertainment Centers.

Chile Industry

Charlie Marquez, lobbyist, New Mexico Chile Association (NMCA), said that the industry is in decline. He said that foreign competition remains severe because foreign sellers can sell chile for cheaper than it is grown in New Mexico. He pointed out that many immigrants have gone into construction, making it difficult to maintain the labor force in the chile industry. Mr. Marquez said that state funds are directed to New Mexico State University (NMSU) and that goals are set by the NMCA based on industry needs. He also noted that proposals are submitted to and approved by the NMCA. Mr. Marquez discussed mechanical harvesting. He said that the Israeli Harvester has tested well and is now being purchased and used by red chile farmers. He noted that farmers are investing in mechanical harvesters and that most red chile and cayenne will be harvested mechanically this year. He also discussed chile de-stemming project development and genetic research for green chile. He said that NMSU is using the chile gene to produce chile that is resistant to disease. He added that the industry is sensitive to concerns about genetic research. Dino Cervantes, treasurer, NMCA, and a Dona Ana farmer, added that genetic research is not unique to the chile industry and that concerns are not unique, either. Dr. Stephanie Walker, extension vegetable specialist, NMSU, said that she is working on techniques to rapidly detect any pathogens to avoid recalls.

Mr. Cervantes said that over the past few years, production has cost more than value, but that is changing. Mr. Marquez explained that the turnaround in 2008 was due to tackling problems collaboratively. He said that farmers are getting involved on an individual basis, there have been food safety concerns with imported food and the weak dollar makes imports more expensive. He said that the proposed tax incentives that came before the legislature last session will encourage farmers to go back to producing green chile. The incentives would sunset after three years, and he said that the incentives are designed to get the industry back on its feet. Mr. Marquez said that the NMCA's 2010 legislative requests include \$100,000 to be used over two years for food safety.

Dr. Walker said that NMSU's chile breeding program is recognized worldwide. She said that New Mexico No. 9 was the first New Mexican pod type variety and was released by Fabian Garcia in 1922, which led to the inception of commercial chile production in New Mexico. She said that the chile industry in New Mexico is diverse and includes green New Mexican-type chile, red New Mexican-type chile, paprika, cayenne and jalapeños. She said that NMSU continues to develop and improve chile. Bhut Jolokia, the hottest chile in the world, was developed at NMSU and released in 2007. She also said that the NuMex Heritage Big Jim has a higher yield with a milder, more consistent heat compared to the standard Big Jim. She said that NuMex Heritage 6-4 is more flavorful and consistent, the NuMex Alicia paprika is highly pigmented, and the NuMex Las Cruces cayenne matures early and is tolerant to the curly top

virus. She added that NMSU is currently breeding green chile plants to be mechanically harvested.

In response to a questions from committee members, the panel said that the \$200 per acre tax incentive is intended to encourage farmers to grow green chile and that acreage would have to be certified by the United States Department of Agriculture (USDA). The panel said that red chile responds better to mechanical harvesting because it does not need to be de-stemmed to be processed and is usually ground into powder or flaked so it can sustain some damage to the fruit unlike green chile. Green chile has a small window of time for harvesting, and each plant matures at a different rate, whereas red chile matures all at once. The panel also said that the average hourly rate, for chile employees is around \$9.00, but that there is a huge disparity among jobs (e.g., sorters make minimum wage, drivers make \$15.00 to \$20.00 per hour).

The State of Dairy in New Mexico

Sharon Lombardi, executive director, Dairy Producers of New Mexico (DPNM), said that dairy is the largest agricultural industry in the state and that the role of the DPNM is to market the product. She said that the average dairy is family-owned, requires a major capital investment, typically has 2,000 cows and produces 42 million pounds of milk per year. The average dairy also has a \$16.64 million total economic impact and generates 10 direct jobs and 92 total jobs. She said that overall, dairies generate a \$2.6 billion economic impact to New Mexico, account for 3.92% of the state's gross domestic product (GDP) and generate 17,250 jobs. Ms. Lombardi noted that New Mexico is the nation's eighth-largest milk producer and third in the nation in production per cow with over 23,000 pounds of milk per cow per year. However, she said, the past year has hit dairies hard. She explained that costs have increased to an all-time high while milk prices have dropped to record lows; the cost to produce 100 pounds of milk is \$16.00 to \$17.00, but it only sells for \$9.00 to \$10.00 per 100 pounds. She said that the price of milk is set by the federal government, not by a free market system. She added that the DPNM is working with the USDA to get product out to the women, infants and children (WIC) and school lunch programs, but the USDA seems more concerned with products from New Zealand and Australia than New Mexico. She also added that state government can help with costs.

T.J. Trujillo, counselor, DPNM, discussed the organization's objectives, which include educating policymakers on the significance of agriculture to the state and the impact of the dairy industry; sustaining and potentially growing the state's dairy industry; demonstrating stewardship over the environment and animals by using sound science in agricultural practices; and proactively introducing legislative and regulatory initiatives for the upcoming year.

In response to questions from committee members, Ms. Lombardi and Mr. Trujillo said that the drive behind SB 206 was the loss of dairies to Texas. They asked the committee to endorse a letter to the New Mexico Department of Environment secretary requesting that the timeline not be expedited so regulations can be developed to benefit the dairy industry. On a motion made by Senator Harden and seconded by Representative Espinoza, the committee unanimously approved to send the letter.

On a motion made, seconded, and unanimously approved, the minutes of the ERD's June meeting committee were adopted.

Break

The committee recessed for travel to the Luna Rossa Winery.

Wine Growing How-Tos in New Mexico

The committee heard from presenters on growing wine in New Mexico and the economic impact of the wine industry. Dr. Bernd Maier, extension viticulturist, Extension Plant Science Department, NMSU, Dr. Jon Boren, associate dean and director for cooperative extension, NMSU, and Dr. Natalie Goldberg, department head, Extension Plant Sciences Department, NMSU, talked about the work of the extension service as it relates to the wine industry. Extension activities include site evaluation, new planting support, irrigation consulting, canopy management, crop protection and weather information. The extension service's research activities include climate projects, canopy management, nematode surveys, winter desiccation prevention, nutrient uptake and the NE 1020 Project (a multistate grape variety testing program). Educational activities include the Southwest Regional Vine and Wine Conference held in Albuquerque, the New Mexico State Fair Competition and various talks and workshops.

Dr. Maier provided the committee with New Mexico grape and wine industry statistics. The state has 100 growers, 112 different varieties of grapes, 1,200 vineyard acres and 35 wineries (not including tasting rooms). The economic impact of the wine industry in the state is \$32 million (approximately \$27,000 per acre). He discussed the different wine regions in the state and what makes them successful. He also provided information on New Mexico vineyard microclimate weather stations and showed pictures of the stations to the committee.

Economic Impact of the Wine Industry: Past, Present and Future

Steve Jaszai, president, New Mexico Wine Growers Association (NMWGA), discussed how the goal of the association is to make New Mexico nationally recognized for its grapes and wines. He said New Mexico has a great wine heritage. Wine has existed in the state as far back as the 1500s. The association is focusing its efforts on marketing and advertising, research and development and legislative efforts to make it easier for small farms to compete in the marketplace and for the wine industry in New Mexico to grow.

Lori Paulson, St. Clair Winery, described the growth experienced at her company. She said that in 2001, St. Clair Winery had 20 acres planted. In 2009, that number rose to 180 acres. She said the winery sells bulk wine on the bulk wine market and distributes wine to surrounding states, bringing money into New Mexico. She said case production last year was 75,000 cases. This year, it may go as high as 100,000 cases. The winery employs 115 New Mexicans.

Statutory, Regulatory and Legal Issues

Dan Weeks, lobbyist for the NMWGA, thanked the legislature for its support of the wine

industry. He described how there are two or three tiers of wineries in the state. One of the tiers consists of a few large wineries. The other tiers are smaller wineries that depend on tasting rooms and high tourist traffic areas to sell their wine. He described how the tax rate on wine in New Mexico is the third highest in the nation. He also went into some detail on the difficulties of selling wine out of state. Committee members suggested that a discussion on that topic should be continued at another meeting. Members of the committee and staff were then offered a tour of the Luna Rossa Winery.

Thursday, July 9

Farmers' Markets: Ways to Support New Mexico's Small Farmers

Pam Roy, co-director, Farm to Table, discussed Senate Bill 190, which leverages resources for rural communities, increases access to healthy foods, provides fresh fruits and vegetables to rural and underserved communities and provides schools with local fresh fruits and vegetables. She said that her organization is requesting that the legislature restore SB 190 as recurring funding. She added that if 15% of New Mexico consumers bought their food directly from local farmers, farmers' income would increase to more than \$375 million. Denise Miller, director, New Mexico Farmers' Marketing Association (NMFMA), said that locally grown food bolsters the economy, fights obesity and diabetes, decreases health care costs and invigorates the community. Ms. Roy said that agriculture is the state's third-largest industry and that 97% of New Mexico's agriculture products leave the state. She also said that New Mexico has the second-highest level of food insecurity, that one in six children in the state experiences hunger on a regular basis and that New Mexico spends \$324 million on health care related to obesity and diabetes. Ms. Miller said that the solution to these problems is farmers' markets. She said that during the last five years, farmers' markets in New Mexico have increased by 43% and many communities are requesting farmers' markets. She said that markets are rural, urban and native and that sales at farmers' markets continue to grow. She said, farmers' markets are microbusiness incubators: small businesses with employees. She said that markets also generate growth by expanding into neighboring communities and bridging urban and rural communities. Ms. Roy added that they are hoping to have WIC enrollees purchase food at farmers' markets rather than at the grocery store. Ms. Miller said that many people benefit directly; for example, the NMFMA potentially delivers \$700,000 to farmers annually and serves 21,400 moms, kids and seniors and leverages \$600,000 in federal dollars annually in nutrition programs. She added that Farm to Table found grant funding to support "food stamp" usage at markets and that its mission is to promote, educate and advocate. She also pointed out that there is a twice monthly column on local food in the *Albuquerque Journal*. Ms. Roy said that SB 190 contains \$25,000 to educate public policymakers about food, nutrition, agriculture and open market opportunities for farmers and consumers. She also said that the healthy kids-healthy economy program provides healthy, affordable food access and distribution and that the goal is to leverage new dollars.

In response to questions from committee members, Ms. Roy and Ms. Miller said that there is no limit on the number of items a vendor can bring to the market, but some markets try to keep only certain percentages of certain items (e.g., baked goods, fruits, etc.). They also said that the Poverty Reduction Task Force made community gardens a priority and that community

gardens require a lot of time and infrastructure, but are a wonderful way to involve the community. Ms. Miller said that there is no gross receipts tax on fresh produce. Ms. Miller and Ms. Roy said that schools can give "geographic preference" to buying local and that they are working with local communities on stimulus funds for farmers. They also added that farmers' markets are encouraged to have less than 50% of non-food items and that some markets are strictly food items. Ms. Miller said that the NMFMA is not a regulatory agency.

Marketing and Sales in the Pecan Industry

Brad Lewis, assistant division director of agriculture and environmental services, NMSU, said that in 45 years, pecan production has grown from several hundred commercial acres to approximately 40,000 acres. Pecans are ranked as the second-largest cash crop in the state and first in the nation in overall production value due to the high nut quality. He said that pecan production supports job growth and benefits a variety of industries. Mr. Lewis said that the key to maintaining and increasing the profitability of the industry is directly related to marketing, exclusion of the pecan weevil and management of existing pecan pests. He said that past legislative support has helped in marketing, preventing insect damage and maintaining the state's reputation for high quality and that the industry is concerned about the 2010 budget reduction that could be harmful to pecan production.

Medical Marijuana

Secretary Alfredo Vigil, M.D., Department of Health (DOH), said that medical marijuana is a hot topic in California and that the state is having a serious discussion about potential revenue from medical and recreational use of marijuana. He said that New Mexico is the first state to develop a system for medical marijuana usage. He said that the state has the responsibility of developing a production plan. He noted that the situation is tricky because federal law prohibits medical marijuana and the department is trying to avoid confrontation between the state and the federal government. Secretary Vigil noted that some patients are frustrated that development has been slow, but the department is trying to develop something that will be sustainable. He said that 381 people in the state are benefiting from medical marijuana. He said that the department has two certificate programs: one to certify use and one to certify production (up to four plants). He also said that the department is beginning to certify nonprofits to produce and distribute medical marijuana, which is a first for the state and the nation. So far, one nonprofit has been licensed. He said that the DOH does not want any excess product lying around, so the DOH is trying to figure out how this is going to work.

In response to questions from committee members, Secretary Vigil said that legislation was passed to keep producers' names confidential in order to protect them from vandalism and theft, but the name of the licensed nonprofit distributor was released by the media. He said that the vast majority of users find medical marijuana helpful. He noted that other drugs can ease pain and nausea, but mind-altering effects of medical marijuana help people cope. He also said that people are more comfortable now that they no longer have to fear jail time. He explained that the controversy around Vicodin and acetaminophen is the toxicity and that medical marijuana has only a mild effect on pain but works well with other pain relievers. Secretary Vigil said that there are very few negative/toxic effects and it has been studied for decades

without a single cannabis-related death, unlike almost every other drug. He said that seized marijuana cannot be used because the purity is unknown and it is evidence in a crime. He noted that 68 patients have been certified to produce their own medical marijuana. In response to a question about the difference between marijuana and industrial hemp, Secretary Vigil said that the amount of active ingredient differentiates the two. He added that the federal government has strict standards to inhibit growth of hemp and it would take a legislative change at the federal level to make hemp growth practical. He said that the Obama administration has indicated that it will not prosecute medical marijuana users. He explained that no price has been set by the nonprofit distributor because nothing has been produced yet and that the nonprofit was formed by people who have used medical marijuana for relief or who have family members in need. He said that 14 to 15 states have medical marijuana statutes. He indicated that the attorney general's opinion says that federal law considers medical marijuana illegal and a request was made for information on how many states have adverse attorney general opinions. Secretary Vigil said that the original legislation included a process for adding conditions and uses. He also noted that patients can petition to have conditions added to medical marijuana uses, but that the department has not experienced a huge deluge of requests and even those requests that are not scientifically necessary have been from people who are suffering. He expressed that the biggest concern is preventing a secondary black market through regulations and said that the state will not be tolerant of any illegal actions detected during work with producers or distributors.

Enhancing the Economy Through Agro-Security

Billy Dictson, director of biosecurity, College of Agriculture, NMSU, said that 1.3 million tourists and 38,000 imported animals enter the United States every day. He said that the United States has to worry about transportation of diseases because food comes from the lowest bidder. He emphasized that there are controls in place, but that the country relies largely on foreign governments for food safety. He noted that each day the average American eats food that originated in over 30 countries. He discussed some recent headlines related to food contamination, including E.coli in spinach and the peanut butter recall. He said that contaminated food results in loss of revenue for uncontaminated produce. He also said that New Mexico is ahead of many states in agro-security. Mr. Dictson discussed some initiatives. He said that in 2003, agriculture was identified as critical infrastructure, a state assessment was conducted and that 200 people were trained in ICS NIMS. He said that NMSU conducts numerous intensive training events for about 800 people per month. Other initiatives include tabletop exercise, livestock syndrome surveillance, numerous conferences and exercise programs, awareness training, Native American community involvement and establishment of regional avian influenza surveillance teams. He also said that first detectors-first responders are all trained in foreign animal disease detection. NMSU also conducts county emergency preparedness training and is involved in methamphetamine production and use prevention.

In response to questions from committee members, Mr. Dictson said that methamphetamine production and use in New Mexico is largely a rural problem. He said that producers go to areas of least resistance and as long as demand exists, there will not be a solution to drug problems along the border. He said that there has been an increase in product coming from Mexico. Mr. Dictson added that meth awareness training has been conducted in the state

for years, but each community does it differently. He proposed a comprehensive standardized training program and said that there is already a statewide delivery system.

The committee recessed for travel to Elephant Butte.

Economic Development in Elephant Butte

Alan Brown, mayor pro-tem, City of Elephant Butte, welcomed the committee members to Marina Del Sur at Elephant Butte State Park and thanked them for coming. He then introduced the other speakers in attendance.

Alan Briley, city manager, City of Elephant Butte, described the economic scheme for the city, which centers on tourism and the demands of a growing community. Tourist attractions such as the Spaceport, the hot springs and Turtleback Mountain Resort will bring people to the area, but the city cannot have strong growth without a sewer system. He said it is the city's biggest challenge.

Vince Barrett, Sierra County Economic Development Organization (SCEDO), said the county is on the verge of significant economic development. He said that he expects a significant amount of growth, but the county is not quite there yet. Total real estate sales are down 30% from last year. He said the SCEDO can serve as a facilitator for growth by helping information to flow to various governmental entities.

Susan LaFont, president, Elephant Butte Chamber of Commerce, described how in Sierra County, there is a tourism advisory board that brings the county and communities together to market the area. She spoke about advertising efforts and how the chamber has been receiving a lot of calls from people interested in the new jobs coming to the area because of the Spaceport.

Jack Whitt, Turtleback Mountain Resort, described what economic development means to him. He described it as the productive use of capital to create jobs. His business has created 69 jobs in the City of Elephant Butte.

Friday, July 10

Senator Sanchez called the meeting to order at 9:05 a.m. Senator Sanchez turned the meeting over to Representative Hamilton to act as chair.

Spaceport America Report

Steven Landeene, executive director, New Mexico Spaceport Authority, provided an update on the Spaceport. The space industry has changed to where the private sector is becoming more involved, and the industry will now affect tourism and transportation, research and development and government and the military. He provided the committee with a construction update and the funding status of the Spaceport. The Spaceport has a budget of \$198

million. Out of that amount, \$140 million comes from state appropriations; \$132.5 million has already been appropriated, with just \$7.5 million still remaining to be appropriated.

Mr. Landeene discussed the two pieces of legislation he supports for the 2010 legislative session. One is for a name change to "Spaceport America". He said the authority wants to establish a trademark and secure branding rights. The other legislation the authority wants is a bill similar to what Florida and Virginia have passed that supports informed consent for Spaceport participants. He said this legislation would help the Spaceport to remain competitive.

Mr. Landeene then described the first annual educational launch held on May 2, 2009 and the Spaceport America groundbreaking events held on June 18 and 19, 2009.

He explained how Spaceport America will be a catalyst for economic development, tourism and education, which are the three pillars that are driving their decision-making. He described how the 20-year lease with Virgin Galactic should generate \$250 million in user and lease fees if the company meets its business plan. He also described how construction of the Spaceport will generate hundreds of jobs. Local businesses and the tourism industry in the area will also benefit from the Spaceport. Some businesses have already seen positive results.

Committee members questioned Mr. Landeene on the legislation he is supporting and instructed staff to work with him to prepare the necessary bills for introduction during the next legislative session.

Mr. Landeene was asked when flights from the Spaceport will be available. He said if the company stays on schedule, it would probably be in early 2011. Virgin Galactic will not, however, commit to a timetable. Safety is the first priority. Until the flights are safe, passengers will not go on them.

In response to a question concerning Virgin Galactic's business plan, Mr. Landeene said the company is planning to start with one trip per week, then have one trip per day and then finally, within three to five years, progress to having two to three flights per day.

Mr. Landeene was also asked to comment about the effect of weather on space flights. He informed the committee that weather is a huge concern. New Mexico's weather, as well as its elevation, restricted air space and low population density, make it a good location for launches. He said this gives the state an advantage in attracting businesses.

Representative Hamilton turned the meeting back over to Senator Sanchez to act as chair.

Tourism as New Mexico's Economic Boon

Gina L. Kelley, director of tourism, Sierra County Recreation and Tourism Advisory Board, presented a video on the local tourist attractions in the area, which include migratory birds, chile, El Camino Real International Heritage Center, hot springs and Geronimo Springs Museum. She said the video shows that communities working together can put together

professional tourism materials. She provided the committee with samples of advertising brochures.

Ms. Kelley thanked the legislature for supporting the Main street program. She said that downtown Truth or Consequences needs to be revitalized in order to benefit from the tourism that will come from the Spaceport.

Ms. Kelley was asked whether her board receives any support from the Tourism Department. She said yes, the board applies for grants from the department. She was also asked how the downturn in the economy has affected tourism in the area. She said her area has not been hurt because it is an affordable, easy-to-drive-to destination for people from Santa Fe, Albuquerque and Las Cruces. She said it is important to educate people in the state about all the vacation possibilities they have right here in New Mexico.

Regionalization Efforts for White Sands Missile Range

Commissioner William Connor, New Mexico Military Base Planning Commission, and Greg DeVogel, director of plans and operations, White Sands Missile Range, provided the committee with an overview of the New Mexico Military Base Planning Commission and White Sands Missile Range. New Mexico's military installations include Cannon Air Force Base, Kirtland Air Force Base, Holloman Air Force Base, White Sands Missile Range and Fort Bliss. The primary purpose of the missile range is to test weapons for the Department of Defense. Every naval weapon is tested at White Sands. Foreign countries also test their weapons at White Sands.

Mr. DeVogel discussed the movement of troops into Fort Bliss. This influx will bring approximately 100,000 people to the El Paso region. A majority of the soldiers will stay at White Sands.

Mr. Connor and Mr. DeVogel discussed how New Mexico's military installations are in a state of transition. The economic impact of at least four of the five installations will increase. Relationships between the communities and their installations are important to ensure missions are supported and that the needs of the military members and their families are recognized and supported. Regionalization efforts will center on better coordination and processes. Each base remains its own base, but bases will coordinate with each other, sharing schedules and talking more.

Representative Heaton asked about the issue of encroachment. Mr. Connor and Mr. DeVogel responded that it is important that the bases have buffer zones, but each base has a different issue to deal with, such as noise, light or wind turbines. Representative Heaton suggested that the legislature should address the issue in order to protect the future of New Mexico's bases.

Expansion of the National Solar Observatory Project

Dr. James Murphy, Ph.D., professor of astronomy, NMSU, described how the National Science Foundation's National Solar Observatory (NSO), headquartered in Sunspot, New Mexico, is the world's premier solar research organization with the mission of advancing knowledge of the sun. It maintains a staff of 90 people worldwide. The NSO plans to consolidate its scientific and engineering staff to a university campus. Dr. Murphy discussed NMSU's goal of competing for and retaining the NSO's consolidated headquarters. He described how this would benefit science and engineering programs across the state, attract and retain students desiring a career in science and engineering and provide internships, graduate assistantships, technical professional positions and international research opportunities for New Mexico.

Dr. Jim Peach, Ph.D., professor of economics and international business, NMSU, discussed the economic impact of the NSO proposal. He said there would be two types of impact: (1) the immediate impact of the construction of 26,000 square feet of leasable office, laboratory and classroom space; and (2) the ongoing impact of operations. He discussed the jobs and income that would be created, and he provided a chart showing the direct and indirect economic impact for the years 2012 and 2013.

Dr. Peach was asked whether the NSO is federally funded. He replied that yes, its budget comes from the federal government. He was also asked where the university would locate the 26,000 square feet of office space. He said it would be located in the southern part of the campus.

The committee adjourned at 12:00 noon.

MINUTES
of the
THIRD MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE
August 26, 2009
Tome Dominguez de Mendoza Center

August 27, 2009
University of New Mexico
Albuquerque

The third meeting of the Economic and Rural Development Committee (ERD) was called to order by Senator Bernadette M. Sanchez, chair, on Wednesday, August 26, 2009 at 10:18 a.m. at the Tome Dominguez de Mendoza Community Center in Los Lunas.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Andrew J. Barreras
Rep. Ernest H. Chavez
Sen. Mary Jane M. Garcia
Sen. Clinton D. Harden, Jr. (8/26)
Sen. Timothy M. Keller
Rep. Patricia A. Lundstrom
Sen. Howie C. Morales
Sen. George K. Munoz
Rep. Debbie A. Rodella

Advisory Members

Sen. Rod Adair (8/26)
Sen. Sue Wilson Beffort
Rep. Nathan P. Cote (8/26)
Rep. John A. Heaton (8/27)
Rep. James Roger Madalena (8/27)
Sen. Richard C. Martinez
Rep. Rodolpho "Rudy" S. Martinez (8/26)
Rep. Andy Nuñez
Sen. David Ulibarri
Rep. Richard D. Vigil

Guest Legislators

Rep. Paul C. Bandy (8/26)
Rep. Elias Barela (8/26)
Sen. Stephen H. Fischmann (8/26)

Absent

Sen. Mark Boitano
Rep. Nora Espinoza
Rep. William J. Gray
Rep. Dianne Miller Hamilton
Sen. William E. Sharer

Rep. Zachary J. Cook
Sen. Dianna J. Duran
Rep. Sandra D. Jeff
Sen. Carroll H. Leavell
Rep. Antonio "Moe" Maestas
Rep. William "Bill" R. Rehm
Sen. John M. Sapien
Rep. Shirley A. Tyler

Rep. Karen E. Giannini (8/26)

Sen. Linda M. Lopez (8/26)
Rep. Kathy A. McCoy (8/26)
Rep. Benjamin H. Rodefer

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Kate Ferlic
Sandy Mitchell
Aldis Philipbar

Guests

The guest list is in the original meeting file.

Wednesday, August 26

Local Economic Development Issues in Valencia County

Mayor Ronnie Torres, City of Belen, welcomed the committee to Belen and discussed some local economic development issues. He said that Signet Solar is coming to Belen, which will bring approximately 600 high-paying jobs and employ many locals. Mayor Torres said that the city incorporated 6,000 acres on the mesa where Signet Solar will be located. He added that other companies are looking at moving to the area. He said that Belen was recently certified as a Main Street community, and he thanked the legislature for funding for economic development and the Main Street project. He said that these programs really help small communities and provide priceless resources to growing communities and that growth leads to a stable population. Representative Barreras, serving as guest chair, thanked Secretary Fred Mondragon, Economic Development Department, for joining the committee. Mayor Bryan Olguin, Town of Peralta, said that his community is struggling with the Department of Transportation (DOT). He said that the town inherited about 26 miles of residential roads, but the roads look like they belong in Beirut. Mayor Olguin explained that his community has been working on rehabilitating roads, but could use some state help. He also noted that Peralta has been working with Bosque Farms on extending the wastewater treatment lines in Peralta, which will help clean up contaminated drinking water in the valley. He also added that the town has a great volunteer fire department and that it just purchased property off N.M. 47 on which to place solar panels to start harnessing green energy. Mayor Robert Vialpando, Village of Los Lunas, reviewed growth in Los Lunas and discussed the town's recent problems with methamphetamine. Mayor Wayne Ake, Village of Bosque Farms, said that his community is losing the bowling alley and has lost a number of businesses, though it has received a few inquiries for new business. He called Bosque Farms the "used car lot" of Valencia County. However, he said that there are some bright spots; the village established an economic development committee three years ago and remains optimistic.

The mayors then responded to questions from committee members. Mayor Olguin said that the Gap Project is a federal project and that Peralta is taking charge of a project that should

be a DOT responsibility. He said that the main sources of gross receipts in the area are from businesses. He also noted that Peralta is able to offer better public safety since breaking off from Valencia. Mayor Ake said that gross receipts in Bosque Farms were down but are coming back up and that the town is trying to increase revenue by providing services. Mayor Torres said that Belen was able to get Signet Solar because the city had a big developer that went after the solar company, and the city was able to incorporate the 6,000 acres of open space, plus there is a lot of sunshine. He added that the city worked with the Economic Development Department to recruit Signet Solar. Mayor Olguin also said that Peralta is experiencing problems with gang violence and could use funding to help fight the problem.

Are Tax Increment Development Districts Good for New Mexico?

Dan White, financial economist, Legislative Finance Committee (LFC), explained that tax increment development districts (TIDDs) are formed by municipalities, that the state gross receipts tax (GRT) increment is approved by the State Board of Finance (SBOF) and that the legislature only approves the bonding authority. Mr. White said that Westland DevCo is the actual applicant and developer, but it is owned by SunCal. He said the company was incorporated for the purchase and management of 55,000 acres on the West Mesa of Albuquerque that used to be the Atrisco Land Grant. He added that although the purchase was for 55,000 acres, only 4,000 acres were approved. He gave a brief history of the Westland DevCo TIDD and said that in January 2008, the SBOF approved only four of the nine Westland TIDDs at a 50 percent state GRT increment. He pointed out some issues with the approval, including that the SBOF was forced to make its decision without knowing the level of county participation, the final master plan development agreement or the makeup of the TIDD board. Mr. White noted that during the 2009 session, TIDDs failed to gain legislative approval to issue bonds. He also pointed out some things to think about, including that a business in downtown Albuquerque currently pays 100 percent of its GRT to the state, but if it moves to SunCal, the TIDD pays only 50 percent to the state. He said those kind of situations need to be taken into consideration in the analysis. In response to a question about what happens when the legislature fails to approve bonding authority, Mr. White explained that the money goes out from the SBOF whether or not there is legislative approval, but the TIDD cannot use it as the statute is currently written.

Clinton Turner, senior economist, Taxation and Revenue Department (TRD), discussed the TRD's role in TIDD administration. He said that the TIDD act does not involve the TRD in evaluating the feasibility or the approval of TIDDs. He said that the department's role is to establish location codes for TIDDs with approved state or local GRT dedications, collect GRT from businesses operating in a TIDD and distribute GRT revenue dedicated to a TIDD to the TIDD's bond account. Mr. Turner reviewed some deadlines by which TIDDs must abide and discussed the distributions from the local and state shares to Mesa del Sol. He said that of the \$3,873,262.43 total distribution through June 2009 to Mesa del Sol, the state share was \$2,613,249.35 and the Albuquerque share was \$1,260,013.08. Mr. Turner also discussed the downtown Las Cruces TIDD, which currently has no state dedication and is the only TIDD to cover an existing set of businesses, meaning it has non-zero "base gross receipts taxes". He also discussed the Winrock/Quorum TIDD, which will begin receiving GRT increment distributions

after July 1, 2009 and also covers existing businesses. Mr. Turner added that the Upper Petroglyph, or SunCal, TIDD and the Central Avenue/Route 66 TIDD have been formed but are not yet receiving GRT increment distributions. Mr. Turner identified several technical issues in the TIDD statute that may need to be clarified by additional legislation, including the following.

- The phrases "base gross receipts taxes" and "gross receipts tax increment" are defined in terms of tax collections, but should be defined as taxable gross receipts before the food and medical deduction.
- Without this change, there is no TIDD distribution for food or medical sales.
- Base gross receipts taxes must be determined by an estimate that is difficult to develop before any taxpayer reporting from the district; instead, they could be estimated from actual receipts in the first year a district has a dedicated GRT increment.
- The department has made significant system and other administrative changes to track and distribute GRT distributions to TIDDs and will continue to devote considerable resources to TIDD administration.
- A funding mechanism needs to be assured for such work to continue on a timely basis.

Dick Minzner, lobbyist, SunCal New Mexico, described the procedure for establishing a TIDD. He said that, first, a local government adopts a resolution approving a TIDD, usually pursuant to a request from a developer. At the same time, a development agreement between the developer and the local government must be established to outline the scope of the work and establish the financing for the project; this is the most important element to the establishment of the TIDD. Mr. Minzner said that public hearings may be held, and if there are multiple landowners, then a landowner vote will be taken. He said that after final approval by the local government, a TIDD board is appointed. He added that the state may dedicate a portion of its incremental GRT revenue within the TIDD, but the SBOF must approve and recommend to the legislature the state dedication. He said that when incremental taxes are collected, the portions dedicated to the TIDD are directed to an account managed by the TIDD board, which has no developer representation. Then, Mr. Minzner said, the developer expends its own money to build private and public infrastructure, recruit businesses and sell commercial and residential space. After the infrastructure is built and a sufficient tax base is generated, the developer is eligible for reimbursement. The mechanism for this reimbursement is through the issuance of bonds by the TIDD board, which will be retired by the share of taxes dedicated to the TIDD. He added that bonds issued against state GRT must be approved by the legislature.

William Sletton, downtown development coordinator, City of Las Cruces, discussed infrastructure improvements within the TIDD and revitalization projects. He gave a brief history of the TIDD project in Las Cruces.

Panel members answered questions from the committee members. Mr. White said that the LFC has not received any information that a SunCal TIDD board has been formed, and, based on information the LFC has seen in the last two years, Westland DevCo will still own the land and the board will be appointed by it. Mr. Minzner added that the initial board will be

created by the local government, but further down the road, the landowner will create a board. A member of the audience representing the SunCal TIDD said that a board was formed in January consisting of representatives from local and state government and the TIDD to serve four- and six-year terms. It was noted that neither the LFC nor the TRD were notified of the board formation. Mr. White said that the state had no representation on the TIDD board to decide where bonds should be spent and that the original intention of TIDDs was to serve blighted communities. Mr. Minzner noted that there is no mention of "blight" in state statute, but Mr. Sletton said that the original Tribal Infrastructure Fund statute included blight. Mr. White said that the state is not responsible for paying bonds that have defaulted. Mr. Minzner said that TIDDs provide two services that make them not optimal for the developer; first, the developer is required to recruit businesses that will generate a tax base, and, second, the developer must pay for the infrastructure up front. He said that bonds are not sold until the TIDD has generated an adequate revenue stream and that the market depends on persuading investors that there will be a return. It was pointed out by a committee member that a recent book by a former Lehman Brothers employee blamed SunCal for the company's demise and that around 30 SunCal projects have gone bankrupt nationwide. Mr. Minzner replied that those projects were Lehman Brothers projects and are unrelated to the project in New Mexico. A concern with the fiscal incompetence of SunCal was also brought up, along with the developer's history of failing to pay its contractors. Mr. Turner pointed out that the same amount of taxes will be coming in, but with TIDDs, the state is making a commitment to have the TIDDs receive a portion of that money over the next 10 to 40 years, so the state needs to decide if TIDDs are economically beneficial. Mr. Minzner pointed out that the SBOF has determined that it is. Mr. White added that the state has to decide if it is a tax expenditure or an opportunity cost, and Mr. Minzner added that the initial risk is assumed by the developer. After bonds are issued, then the bondholders assume the risk. It was pointed out that the developer owns the property even after the reimbursement. A committee member raised the question of whether a reasonable person would enter into an investment like this. He asked whether, if the state invests \$250,000 and SunCal invests \$10,000 and still owns the property, that is a good investment. Mr. Minzner pointed out that the local government owns the infrastructure, to which the committee member replied that infrastructure is an expense. In response to a question about whether the state is providing an exception for these developers, Mr. White replied that from a tax theory perspective, it flies in the face of tax equity. In response to another question, Mr. Minzner replied that water for the development comes from the Albuquerque Bernalillo County Water Utility Authority and that there are enough water rights to cover SunCal and that county building codes will apply. Mr. White also noted that TIDDs can only issue bonds for 25 years per district, but TIDDs with multiple districts can issue a bond in one district and not issue a bond in the next district until the first district is at year 24, and so on. Concern was expressed by multiple committee members that both sides were not being represented by this panel.

Race Day Decision

Pat Bingham, executive director, New Mexico Horsemen's Association, said that the association is composed of more than 6,000 race horse owners and trainers who race their horses in the state. He said that a typical race day involves between 80 and 90 horses, with a total of about \$42,500 expended by the owners (as a total group) on each race day. He said that in 2009, 307 race days were approved by the New Mexico Racing Commission (NMRC), which means that approximately \$13 million will be spent by owners to race their horses. In addition, Mr. Bingham noted that Ruidoso Downs itself will spend, on average, \$25,000 per day to hold a race. He also discussed the cost of training a racehorse over the course of a year and the benefits of horse racing to the state. He said that there are 6,000-plus horses, associated with racing in New Mexico and that there are five racetracks with more than 300 days of racing each year. He also said that horse racing promotes tourism, promotes New Mexico traditions and has a total economic impact of \$240 million.

Julian Luna, agency director, NMRC, said that the organization has a mandate to provide as many races as possible. He said that it has set up a race day committee that tries to set up race days a year in advance. Eddie Fowler, vice chair, NMRC, said that every year since 2007, there has been a gradual increase in the number of race dates. He noted that the NMRC is a little behind this year because of the economy, but that it is raising the number of race dates because of the big economic impact for the state. Mr. Fowler said that lots of people come to the races from out of state. Larry Delgado, commissioner, NMRC, said that reducing race days might save the casinos money, but it gives less opportunity for people who race and work in the industry to get paid. He said that horse racing benefits a lot of people. A representative from the NMRC added that horsemen bring a lot to the communities they visit; they bring 1,500 to 2,000 horses, buy groceries, rent houses, shop and help the whole town. He said that more racing days equal more opportunities for communities to thrive.

In response to a question from a committee member, Mr. Fowler said that state statute requires a minimum of 17 race days that are primarily set to take care of the state fair. He added that the NMRC is responsible for setting the number of race days. Mr. Luna added that the NMRC tries to balance the number of days on each side of the state.

Los Alamos National Laboratory (LANL) Technology Overview and Effect on Economic Development

Dr. Steven Girrens, technology transfer leader, LANL, said that the technology transfer's legislated mission is to manage intellectual property, the currency for working with industry effectively to strengthen the U.S. economy and foster development and technology job growth in New Mexico. He said that technology commercialization is a contractual obligation unique to LANL that improves the economic environment of northern New Mexico and develops improved mechanisms for the utilization of LANL to stimulate new business. So far, more than 40 high-tech jobs have been created. Dr. Girrens said that the nature of LANL research is discovery and, therefore, investments need to be made in LANL technology innovations to make them commercially viable. He encouraged investment in people and talent to support and staff regional companies and LANL spinoffs. He also discussed a few innovative start-up programs,

including Verge and ARCH Venture Partners. He said that Northern New Mexico Connect is connecting entrepreneurs with customized resources to accelerate growth of northern New Mexico companies. He also discussed ways of getting innovation to market faster and the New Mexico Small Business Assistance (NMSBA) program, which matches New Mexico small businesses with technical expertise and resources at LANL and Sandia National Laboratories. In summation, Dr. Girrens said that LANL is making a significant investment in high-tech job creation and that the people of New Mexico are benefiting. In response to a question from a committee member, Dr. Girrens said that the Regional Economic Development Initiative program is a city program, but that LANL had some MBA students that studied one of its projects as an independent review.

Sandia National Laboratories Economic Development Impact in New Mexico

Jackie Kerby Moore, executive director, Sandia Science and Technology Park, Sandia National Laboratories, said that the Sandia Science and Technology Park is a master-planned technology community that is a result of a public-private partnership. The park was founded in 1998 and currently has 30 companies and 1,900 employees. She said that the park created 2,113 direct jobs and 5,441 indirect jobs. She highlighted Emcore Corporation as one of the success stories of the park. Ms. Moore also discussed the NMSBA program, saying that between 2004 and 2008, 2,476 small businesses were aided by the program. She also said that Sandia provided technology assistance to 224 small businesses throughout New Mexico in 2008. She also discussed the entrepreneurial separation to transfer technology, in which entrepreneurs terminate Sandia employment in order to start or help expand a technology business.

Municipal Annexation: Statute Review Pursuant to House Memorial 60

Representative Bandy introduced the speakers to the committee. Representative McCoy said that, due to a shoestring annexation, or land bridge, Edgewood is now in three different counties with differing development laws, water issues, etc. She explained that shoestring annexations let municipalities cut out the most revenue producing areas, leaving the rest to the county. Howard Calkins, mayor, Town of Edgewood, said that the big attraction of owners in the land bridge is the issue of water regulation. He said the owners can subdivide without having proof of 100 years worth of water as required by Santa Fe County. He said that the subdividers tried to make the land bridge look wide so that it would not look like a shoestring, but it is a shoestring. Mayor Calkins said that there is no commitment from anyone to provide fire, emergency medical services, animal control or other services. He added that it would be helpful if service providers were identified and that this problem is having a great impact on the surrounding community. Patrick Trujillo, deputy district attorney, Bernalillo County, said that this annexation resulted in a 2003 amendment to the statute so that this situation would not repeat itself in Bernalillo County, though it could still happen in other counties. He called this the most creative shoestring annexation he has seen and said that there are lots of rooftops, but not a lot of jobs or services. Janet Jarrett, chair, board of directors, Middle Rio Grande Conservancy District, said that House Memorial 60 came out of a condemnation of a water rights bill. Ms. Jarrett discussed the various methods of annexation and problems with shoestring annexations as a result of poor planning. Representative Joseph Cervantes said that he is in the middle of a three-year lawsuit with the City of Mesilla on an annexation issue. He said that he

does not know who provides services now or who will provide them if the annexation is reversed. He said that he does not know if those areas are still in the municipality because the case is still in court. He also said that there are election issues as a result of the annexation. Representative Cervantes said that there are three ways to be annexed into a city, and one way is the petition method, in which a group of owners get together to petition to be annexed into a city. He said that if the owners with the majority of land want to be annexed, then even those that do not want to be annexed will be. He said that this bill will add additional requirements for the majority of owners, not just the majority of acres. Bill Fulginiti, New Mexico Municipal League, encouraged the committee to tread cautiously. He warned that there could be many unintended consequences if this is not done properly. He added that the petition is initiated by the property owners, but the city does not have to go along with it.

Thursday, August 27

The committee was welcomed to the University of New Mexico (UNM) campus by Rita Martinez-Purson, dean of continuing education; Roger Schluntz, dean of the School of Architecture and Planning; and Douglas M. Brown, dean of the Anderson School of Management.

Representative Lundstrom requested that the committee send a letter to UNM and New Mexico State University asking the architecture programs to work on annexation planning procedures and requesting information on what is happening in Gallup in terms of federal stimulus at the September meeting.

American Recovery and Reinvestment Act (ARRA): Economic Development Money in New Mexico

Governor Toney Anaya, executive director, New Mexico Office of Recovery and Reinvestment, said that an estimated \$3.2 billion in federal stimulus money will be going to direct allocations and awards to state programs. He said that, additionally, \$288 billion will be available for tax relief nationwide, more than \$30 billion of bond authority will be available to businesses and communities through loans and new tax-exempt and tax credit bond programs nationwide and \$74 billion in competitive grants and incentives will be available nationwide. Governor Anaya said that the recovery act increased unemployment benefits by \$25.00 per week and that the money will help displaced workers and the economy. He said that the recovery act funds saved the state from massive budget cuts by softening the anticipated cut in school budgets and providing direct infusions in local economies. He said that \$190 million will be available in Pell grants and an additional \$1.4 million will be available for federal work-study. Governor Anaya showed the task force chart of funding for the state by policy area. It included \$738 million for Medicaid and \$466.6 million for public education. He discussed New Mexico's allocation of some recovery act bonds, including recovery zone economic development bonds totaling \$90 million and qualified energy conservation bonds totaling \$20.6 million. Governor Anaya discussed some provisions of the recovery act loans as well as competitive grant opportunities. He added that the governor had allocated \$22 million for competitive grants, \$1

million for oversight, \$4 million for the potential purchase of the College of Santa Fe, \$57.8 million for the governor's projects and \$2 million to the Human Services Department.

In response to a question from a committee member, Governor Anaya said that New Mexico has received allocations of \$1.5 billion from the \$2.2 billion available and that the allocations are received on a cost-reimbursable basis. He said that his office is working to get reimbursements in no later than one week, but sometimes the reimbursements are instantaneous. He said that a qualified zoned academy is a construction type of bond that allows for a bond to be issued by a local government or school district to fund or improve academic programs, but not necessarily infrastructure. He said that the Transitional Medicaid Program involves money coming from existing federal programs to existing state programs and will not be an ongoing funding source. Governor Anaya explained that the purpose of the stimulus money is to fund New Mexico enough so that, after 18 months, New Mexico will be back on its feet. He said that the ARRA web site is updated regularly and contains money that is going out through agencies. He said that legislators can get involved in the allocation process by encouraging their communities to request competitive grants. He said that money that the governor has not allocated is still available and that legislators can call and request it as well. He emphasized that nothing can be allocated for ongoing expenses.

The Work of the South Valley Economic Development Center (SVEDC)

Tony Gallegos, executive director, SVEDC, said that, according to national figures, one in five businesses fails, but with the business incubator program, the rate of success goes up to over 80 percent. He said that New Mexico is unique because it has a business incubator certification process to ensure a high quality of service to businesses. He said that there are five incubators, and the newest is in Arrowhead. He said the SVEDC has been making a real effort with mom-and-pop businesses and has an alliance throughout the state that deals with businesses with fewer than 50 employees. Mr. Gallegos said that the SVEDC recently launched the first-ever South Valley cable station, which focuses on basic education, immigrant help and health and wellness. He said that the SVEDC has a commercial kitchen, so it can offer cooking classes for heart health, diabetes, etc. He said that the SVEDC also focuses on arts and culture. He noted that not all communities can support an incubator and that the SVEDC is working to make satellite incubators in smaller communities like Mora and Pecos, among others. He said that if the satellite project is successful, it could also work for food vendors who currently sell out of the back of their vans. The demand is in the bigger cities, so the food needs to get to those areas. He said that transportation is a challenge and that the SVEDC will probably need some legislative help to seed the project to see if it works. He said that some early thoughts include using trucking agencies whose trucks often come back empty after dropping off their loads. For example, he said that the SVEDC was thinking about using FedEx, UPS or U.S. Postal Service trucks. Mr. Gallegos also addressed farming issues. He said that an acre of land will cost about \$100,000 plus interest to the bank and that one acre of alfalfa will yield about \$4,000 in profit, but one acre of quinoa will yield 7.5 times the profit of alfalfa and uses only 50 percent of the water, so New Mexicans need to think about growing these types of crops to help pay off land quicker. He also discussed the benefits of sharecropping to help maintain the greenbelt of New

Mexico. He said that farmers are aging, and the next generation is not educated in farming, so once the farmers die, the land may be sold and New Mexico will lose the greenbelt.

There being no further business, the committee adjourned at 12:00 noon.

MINUTES
of the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

September 28, 2009
Taos Convention Center
120 Civic Plaza Drive
Taos

September 29, 2009
Ohkay Owingeh Resort Hotel and Conference Center
Ballroom C/D
Espanola

The fourth meeting of the Economic and Rural Development Committee (ERD) was called to order by Senator Bernadette M. Sanchez, chair, at 10:10 a.m. on Monday, September 28, 2009 at the Taos Convention Center in Taos.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Andrew J. Barreras
Sen. Mark Boitano
Rep. Nora Espinoza
Sen. Mary Jane M. Garcia (9/29)
Rep. William J. Gray
Sen. Clinton D. Harden, Jr.
Sen. Timothy M. Keller
Rep. Patricia A. Lundstrom
Rep. Debbie A. Rodella

Advisory Members

Rep. Nathan P. Cote
Rep. John A. Heaton
Sen. Richard C. Martinez
Rep. Shirley A. Tyler
Sen. David Ulibarri
Rep. Richard D. Vigil (9/28)

Absent

Rep. Ernest H. Chavez
Rep. Dianne Miller Hamilton
Sen. Howie C. Morales
Sen. George K. Munoz
Sen. William E. Sharer

Sen. Rod Adair
Sen. Sue Wilson Beffort
Rep. Zachary J. Cook
Sen. Dianna J. Duran
Rep. Sandra D. Jeff
Sen. Carroll H. Leavell
Rep. James Roger Madalena
Rep. Antonio "Moe" Maestas
Rep. Rodolpho "Rudy" S. Martinez
Rep. Andy Nuñez
Rep. William "Bill" R. Rehm
Sen. John M. Sapien

Guest Legislator

Rep. Roberto "Bobby" J. Gonzales

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Kate Ferlic
Sandy Mitchell
Aldis Philipbar

Guests

The guest list is in the original meeting file.

Monday, September 28

Representative Gonzales served as guest chair.

Welcome: Economic Development in Taos

Mayor Darren Cordova, Town of Taos, said that Taos is working with businesses in the community. He said that the town is looking at antiquated city ordinances; for example, the ordinance that prevents businesses from putting up signs that are visible from the street. Mayor Cordova said that the town is working with the schools and will have a competition-size soccer field soon. He added that the town is promoting outdoor recreation that is unique to Taos, as well as promoting heritage and cultural tourism, and that the Pueblo of Taos is the only living heritage site. He said that the town is working on expanding and enhancing economic development while keeping in mind what works for Taos. He added that, fortunately, gross receipts are up from last year, and he attributed the rise to aggressive marketing. He said that Taos is now putting \$500,000 (up from \$90,000) toward marketing Taos businesses.

In response to questions from committee members, Mayor Cordova said that the incubator program is still in place and that the town received \$3.1 million in stimulus funding for a wastewater project. Representative Gonzales highlighted a few additional economic development projects in Taos.

Demographic Modeling to Address Economic Development Hurdles

Dr. Dely Alcantara, senior research scientist, Bureau of Business and Economic Research (BBER), University of New Mexico (UNM), explained how demography plays a role in economic development. She said that population projections are used for school planning, facilities planning and water development, among other things. In response to a question about demography as part of the work force, Dr. Alcantara said that the census data do not address that issue specifically, but it can be done. Dr. Alcantara said that with additional funding from the state, the BBER has been developing geo-databases that include building permits and construction data, birth and death records, road networks and E-911 structures, among other things. She added that the BBER recently received permission to access Motor Vehicle Division license data and that the BBER hired students to help because it cannot hire new full-time

employees without permanent funding. She then discussed migration data, including who stays in New Mexico, who leaves, whether New Mexicans are better off economically when they leave and whether education matters and to whom. She said that the data showed that one-half of all New Mexico residents are born in the state; that over 60 percent of the population born in New Mexico leaves the state; that once New Mexico residents leave, the chance of them returning is minimal; and that, in general, those who leave have a higher educational attainment and income. Dr. Alcantara added that the census data are complicated and that other states do not process data like New Mexico does.

In response to questions from committee members, Dr. Alcantara said the data are based on census data and that adjusting for other factors like cost of living would require collecting data from other states. She said that poverty status is more indicative of where the state is. She also noted that most African Americans in New Mexico are tied to the military and that Asian immigrants are fairly new to the state. She added that the level of education of new migrants often depends on where they are migrating from. In response to a question about migration and high school graduation rates, Dr. Catherine Cross Maple, deputy secretary, Public Education Department (PED), said that the PED does account for students who leave the state when calculating graduation rates.

Work Force Training Presentations and Panel Discussion

Dr. Beverlee McClure, president and chief executive officer, Association of Commerce and Industry, said that she wanted to talk about employer confidence because it ties into whom and how employers are hiring. She said that, depending on the data, the state may find that it is in the eye of the storm. She said that there is no work on the books for 2010 for architects and contractors and the businesses that depend on them. Dr. McClure said that the commercial areas are at a standstill, partially due to lack of credit lines being issued, and that renewable energy has not taken off so that employment has not materialized. She added that, besides the economy, taxes and health care are top concerns for businesses. She said that the association has seen some rebound, for example, with the first-time homebuyer tax credit and the cash for clunkers program, but unemployment is up to 8%, and there is still a lack of a skilled work force (some training beyond high school). She indicated that there is no incentive for potential employees to move into the front-line work force (\$8.00 to \$12.00 per hour) and off unemployment benefits. She noted that employers are also having trouble finding people who can pass a drug test and that many have stopped testing unless the position is in the health or safety field. She said that the state has to address issues that employers are facing when talking about economic development. She said that there is a lot of technology developed here that leaves the state and that the state needs jobs to keep the talent pool in New Mexico. She also said that not a lot of stimulus money has made its way to the private sector. She said that contractors must be unionized to get federal projects, but only 3% of contractors in the state are unionized, so the state cannot even compete. She also said that a lot of out-of-state contractors are underbidding locals, and employers are going to other states for contract labor. She told the committee not to assume that all of the stimulus money stayed in the state and that it did not have the impact the state thought it would on employment. Dr. McClure said that the state has to look at new employers to come into the state to absorb the unemployed and added that a lack of job training

incentive program funding has rocked employer confidence. She indicated that employers, for the most part, do not interact with the PED or the Higher Education Department (HED); they usually work with the Work force Solutions Department (WSD), and the biggest concern is having a point of contact through which to access resources.

Ken F. Ortiz, secretary, WSD, said that since the start of 2008, 6.7 million jobs have been lost nationally. He said that, as of August, the unemployment rate in New Mexico was 7.5% and that the highest unemployment rate in the state was 9.9% in January 1983. However, he said that if laid-off workers who have given up looking for new jobs or settled on part-time work are included, the unemployment rate in New Mexico is 16.8%. Secretary Ortiz discussed the department's outreach efforts, including partnering with the Green Jobs Cabinet, targeting services to expand a skilled work force and partnering with the PED and the HED to improve high school retention and graduation and community college enrollment and completion. He said that services are delivered through 26 work force centers.

Dr. Maple said that a high school graduate does far better than a dropout or a GED recipient and that the state needs to work on the work force by making sure everyone graduates. She said that the PED cannot just bring people back to high school; it needs to use local facilities to re-engage communities into high school graduation. She said that the rehabilitation program focuses on returning people with disabilities to the work force and that the PED is actively involved with New Mexico Office of Reinvestment and Recovery. Dr. Maple added that the PED starts working with students about career choices in late elementary school and about career aspiration courses in middle school and that it tries to stimulate career choices early by including various programs throughout high school. She described the electronic student management system pilot program, which students can use to manage their education, link up to college opportunities and find future jobs and community service opportunities. She said that the PED also has another program that allows students to enroll in college courses during high school.

Len Malry, director of workforce education, HED, said that the vision of the workforce education division is to serve as a catalyst for positioning New Mexico colleges and universities to be effective educational agents in developing the work force and improving the economy and that its mission is to engage in collaboration, research, communication and policymaking. Mr. Malry said that short-term goals include creating a career pathway initiative for the state to identify specific occupations within an industry cluster. He added that Virginia recently began using this model, and it has been deemed very effective. He said that long-term goals include better aligning education and training systems, strengthening connections to the business community/labor market and increasing enrollment in and access to post-secondary education.

The panel then answered questions from the committee. In response to a question about predicting needs in the work force, Secretary Ortiz said that the WSD publishes a newsletter outlining future work force needs and that it has data up to 2017. He said that the educational, health care and government fields are the only areas showing growth. He added that the WSD has four work force boards, each assessing local areas. Dr. McClure said that there are good jobs in renewable energy, but not a lot of jobs as of yet. Concern was expressed about the multiplier

effect of a 14% job loss in one category of jobs. Mr. Malry said that he would get information to Representative Lundstrom about how many jobs the state needs to grow in the construction industry in order to make up for the 14% loss. There were also concerns expressed that the data between the agencies are not matching and that growth in sectors that are already growing should be encouraged, not in sectors with losses. Dr. Maple said that the PED is applying for a Race to the Top Grant and that the state is positioned to be one of the top runners. She said that the grant is intended to be used for education innovation and must tie in work force solutions. She said that there are also three other major competitive grants (not as big as Race to the Top) for which New Mexico will be applying. It was noted that there is no definition for "green jobs", but that the state has applied for a grant to help the research and development team narrow down "green jobs". In response to a question about the work keys program, Mr. Malry said that state funding for the program was cut, but that it will receive funding through the federal American Reinvestment and Recovery Act of 2009. In response to another question, Secretary Ortiz said that 51% of the WSD's board is from the private sector.

Work Force Training: Curriculum Development at UNM

Dr. Kate O'Neill, executive director, UNM-Taos, welcomed the committee to the UNM-Taos campus and introduced the staff. She said that the campus has 512 full-time students this year, which is an 84% increase over five years ago. She said that UNM-Taos has been a branch campus since 2003 and that it has a new associate degree in nursing program.

Dr. Suzanne Ortega, provost, UNM, posed the question, "What is UNM's role with respect to work force and economic development in the state?". Essentially, she said, there are three processes that ensure that the college is meeting the needs of the state. She said that UNM is beginning to use data to try to anticipate local labor force demands and that the branch campuses are viewed as the first point of contact to determine local work force needs. Dr. Ortega said that plans for what courses to deliver and programs of study are based on student demand and that UNM works closely with advisory committees and local business partners. She added that faculty members are constantly changing courses in response to the needs of students and employers (e.g., the new professional sciences program). She said that the average student will change careers multiple times, so students cannot get too bogged down in career programs but need to develop basic skills that can move them through their careers. She said that UNM takes the partnership with the community, students and legislature very seriously.

Dr. Rita Martinez-Purson, dean of continuing education, UNM, said that work force needs are changing and that market research is more necessary today because of increased complexity in business. She said that market research projects involve any effort to gather information about markets or customers. She said that UNM also conducts greens jobs training, which includes LEED certification classes, computer literacy and project management. In addition, Dr. Martinez-Purson said the Continuing Education Department offers statewide substance abuse counselor training, case management training and phlebotomy training, among other things. She added that continuing education serves both markets and customers, its courses are self-sustaining and that it strives to deliver what the customer wants within the customer's budget. She also said that the department works with various organizations and agencies on work

force/career development, including the State of New Mexico, Hewlett Packard, Kirtland Air Force Base and small businesses. She said that the Continuing Education Department also serves the welfare population through specialized training programs for temporary assistance for needy families program participants.

Survey of Economic Development Incentives: Good Tax Policy to Promote Strong Return on Investment

David Lucero, principal analyst, Legislative Finance Committee (LFC), said that the LFC conducted a survey of economic activities in a wide variety of state agencies and other organizations, but that the conclusions were not necessarily targeted toward any one agency or organization. He indicated that the survey found that New Mexico offers a variety of economic development programs, incentives and initiatives, but lacks a statewide plan and a unified budget and has fragmentation, duplicate programs, inconsistent statewide performance outcomes and low-level performance measures. Mr. Lucero said that New Mexico ranked thirty-eighth among states in 2008 in competitiveness after a variety of factors were considered. He said that a quality business environment creates more economic activity (e.g., infrastructure, business incubation, environmental policies and fiscal policies). He noted that, according to Corporation for Enterprise Development's 2007 Report Card for the States, New Mexico's overall picture is still lacking due to under-investment in human capital. He added that the best practices states have a strategic statewide plan, incentive agreements, incentives linked to performance, minimum wage standards, job retention requirements and incentive claw-backs. Mr. Lucero indicated that New Mexico's economic development tools include capital project appropriations, direct appropriations and flow-through funding, equity investment and loans, state grants, a film program, tax credits and tax increment development districts (TIDDs). He emphasized that the legislature should consider a new approach in light of New Mexico's current economic development practices.

Tom Clifford, economist, LFC, said that the tax policy principles adopted by the LFC include adequacy, efficiency, equity, simplicity and accountability. He reviewed significant tax law changes since 2003, including revenue-increasing provisions like the cigarette tax increase and the insurance premium increase, which have an annual impact of \$385 million. The tax law changes also included revenue-decreasing provisions, such as low-income tax relief, the back-to-school gross receipts tax holiday and economic development, which have an annual impact of -\$930 million, bringing the net annual fiscal impact to -\$545 million over the past seven years. Mr. Clifford said that in evaluating the state's tax policies, he found that the adequacy of the state revenue has been reduced, the efficiency of the state's economy is mixed, the equity of the tax code has improved, simplicity has decreased and accountability has decreased.

Jim Nunns, tax policy director, Taxation and Revenue Department, said that business incentive tax credits are intended to promote economic development, encourage the development and use of alternative energy sources or meet some other goal. He said that "tax credits" are actually "tax expenditures" and should be evaluated as such. Mr. Nunns said that business incentive tax credits are inherently inconsistent with tax policy principles, which will automatically make these tax credits appear to be unsuccessful. He said that the business

incentive tax credits should still be evaluated periodically, but by using other methods like return on investment. He added that only some credits were intended to promote economic development and others were intended to encourage production or use of alternative energy, to develop affordable housing and to preserve cultural properties and open land, among other goals. He said that the rapid growth in the number and amount of claims is due in part to the relatively recent adoption of most of the credits and that the number of claims increased substantially in FY 2008 because it was the first year of claims for the rural health care practitioner tax credit. He indicated that increases in the film production, high-wage jobs, renewable energy production and rural health care practitioner tax credits account for most of the growth in amounts claimed over the past several years.

The panel then answered questions from the committee. In response to a question from a committee member, Mr. Nunns said that out of 30 tax incentives, six have sunset dates. Mr. Clifford said that some of the incentives need updates and need to be looked at to determine whether they are still meeting their goals. Mr. Nunns added that disincentives are just as important as, if not more important than, incentives. Mr. Clifford said that the fastest growing component of the general fund came from appropriations to Medicaid. In response to a question about anti-donation clause issues with regard to economic development, Mr. Lucero explained that the Economic Development Department has been exempt from the anti-donation clause through the Local Economic Development Act, which allows a local government to give state general funds to a targeted company for the purpose of economic development. In response to a question about savings to the general fund if the legislature were to repeal personal income tax credits, Mr. Clifford said the savings would be about \$360 million with capital gains, excluding the working families credit relief. He also said that the state is not obligated to provide unlimited amounts of sales by tribal entities.

Representative Garcia made a motion to draft legislation to implement best practices in New Mexico, including post-performance evaluations and statewide strategic planning, similar to the Utah Model. The motion was seconded by Senator Keller and unanimously approved by the committee.

Representative Lundstrom made a motion to support legislation to study the impact of changing the weight distance tax. The motion was seconded by Representative Gray and unanimously approved by the committee. Senator Harden requested a presentation on the issue at the November meeting.

Representative Lundstrom made a motion to draft a memorial requesting that the New Mexico Legislative Council form a subcommittee to study tax credits and to look at various policy changes before tax credits go into effect. The motion was seconded by Representative Rodella and unanimously approved by the committee.

Senator Keller requested that staff look at increasing incentives to hire locally for state contracts and determine whether local contractor preference is specified in statute.

Representative Lundstrom encouraged members to attend the Thursday morning presentation at the Council of State Governments-West conference in Santa Fe.

On a motion made, seconded and unanimously approved, the minutes of the August 2009 meeting were adopted.

There being no further business, the committee recessed at 5:22 p.m.

Tuesday, September 29

Senator Martinez served as guest chair.

Welcome: Economic Development in the Espanola Valley

Daniel Duran, city council, City of Espanola, welcomed the committee to Ohkay Owingeh. He said that Ohkay Owingeh is part of the Espanola Valley and that it is working with the Regional Development Corporation on several initiatives, including broadband. He said that Espanola is working on the west side of the city, which used to be very active but, due to economic changes, now has very few businesses, but it has a beautiful plaza. Mr. Duran said that Espanola is also working on the Main Street area, that Northern New Mexico College will be adding dorms to the college in the next year, that infrastructure needs updating and that the city is working with the pueblos on easements, job growth and tourism.

Marcelino Aguino, governor, Ohkay Owingeh, welcomed the committee to Ohkay Owingeh and said that the pueblo and the whole valley are working toward a lot of good things that will not only benefit local residents, but the entire state. He gave the committee his heartfelt thanks for being there and said he hopes to continue to work together.

Ron Lovato, C.E.O., Tsay Corporation, said that the valley is reliant on state government and Los Alamos National Laboratory as economic engines for the community. He said that the area is trying to diversify and that people have been out marketing at trade shows trying to attract retailers to Main Street. Mr. Lovato said that the pueblo has adopted aggressive tax incentives to attract businesses and that all of the infrastructure is in place at the industrial park to attract industry. He added that the pueblo is constructing recreation facilities and improving airport infrastructure.

The panel then answered questions from the committee. Mr. Lovato said that Ohkay Owingeh has been working on reopening the airport since 2001. Senator Martinez said that the pueblo still needs \$700,000 for a water conveyance system, and Mr. Lovato added that the water system ties in all of the pueblo wells to address issues with uranium in the water. He added that the New Mexico Finance Authority is assisting in securing funding. In response to a question about attracting businesses into a nontraditional area, Mr. Lovato said that businesses are using the airport in Espanola, especially because the Los Alamos airport only has one way in and one way out and has higher restrictions during times of high threat, and that land acquisition in this area for potential tenants is essentially free. He added that the airport can accommodate Type 2

aircraft, not commercial aircraft, and that it would like to be a regional airport. He also said that the area is trying to attract clean technology and high-paying jobs.

Apprenticeship Programs: Growing a Work Force in New Mexico

Melissa Lomax, bureau chief, career, technical and workforce education, PED, said that the legislature directed the PED to study the feasibility of apprenticeship programs. She said that in 2009, SB 46 passed, which provided for high school pre-apprenticeship programs, and that in July, her agency formed a work group to work on rule promulgation related to the bill. She explained that the concept is that any school that wants to can have an apprenticeship program, but it must be done in conjunction with an approved apprenticeship program. Ms. Lomax said that the PED and the trades and industry programs in local areas are responsible for outreach and that the PED was not tasked with developing a curriculum in SB 46, but with laying a foundation for a curriculum to be developed. She said that students can receive elective credits or, if the apprenticeship program can be shown to provide core academic work, the district can pursue that credit through the PED. She also said that the PED is anticipating working in support of legislation that would make available courses in manufacturing skills. She added that growing a work force is a priority of the PED and that the next step is educating educators, city councilors, etc., about the program.

Ms. Lomax, Jerry Welch, technology and industrial dean, Dona Ana Community College, Joe Jaramillo, federal programs director/CTS director, Alamogordo Public Schools, Celina Bussey, executive director, IEC-Northern New Mexico Chapter, and Davie McCoy, executive director, New Mexico Sheet Metal Contractors Association, then answered questions from the committee. Ms. Lomax said that the PED does not have a strategic plan in place yet, but that it would like to come back to brief the committee when it has been implemented and that the PED does not yet have data on how many schools are using the program. Mr. McCoy said that 90% of the program is on-the-job training and only 10% is in class (theory), so program participants are not ready to go out and work after the classroom portion. Ms. Lomax said that she cannot predict if pre-apprenticeship programs will help with New Mexico graduation rates, but trends show that students that take one or more career pathway courses are more likely to graduate. Ms. Bussey added that she faced various geographical issues with the apprenticeship program and that the pre-apprenticeship program will likely face the same problems. She said that her agency is delivering face-to-face instruction to about 300 students from remote rural areas using online and web-based programs and that it is looking at how to reach out to remote areas because those areas are an untapped resource for the work force. Ms. Bussey also said that, initially, the program was an unfunded mandate, but those in the apprenticeship program have gotten used to footing the bill for the work force. She said that industry across the state will fund the program with hopes that the state will back up industry at some point.

City and County Reciprocity for Inspectors

Pete Wilkes, president, Southern New Mexico Chapter of Building Officials, said that current Construction Industries Division (CID) practices, rules, and proposed rule changes have created an unprecedented economic burden on inspectors. He said that a change to statute in HB 219 appears to require that all partial building inspection programs will need to become full

inspections, and the alternative will be to turn over local inspection services to the CID. He explained that there are two classes of inspectors, state and local, which are not identified in statute but underlying at the CID, and this is the only state where this issue exists. Mr. Wilkes said that limiting inspectors to one jurisdiction will have a negative effect on the work force and that many businesses feel that the state does not conduct inspections in a timely fashion. He added that municipal inspectors are more efficient because they are geographically closer and have much less bureaucracy.

Committee members expressed concern about the CID's actual authority and suggested redrafting some rules to address problems with redundancy in testing, disagreements in interpretations, etc. There was also concern about inspectors having to get licensed in each municipality rather than being able to acquire a statewide license such as in most other states.

Kelly O'Donnell, superintendent, Regulation and Licensing Department, said that the department has three pilot programs for sharing inspectors that have been approved and that it has asked for input from local inspectors even though it was not required to do so. She said that the rules were changed based on those suggestions. She emphasized that this is not a turf war and that the goal of the state is timely, safe inspections. She said that there needs to be training for local inspectors and that the overriding goal is public safety.

Bill Fulginiti, New Mexico Municipal League, said that the issue is what is the proper role of the CID and what is the proper role of local inspectors. Lisa Martinez, director, CID, noted that there is a real desire at the local level for autonomy without state oversight. She said that she has been hearing for years that the state needs to provide additional resources and that the CID tries to do that within the rules. She said that local governments do not have the resources and neither does the CID, so the CID thought to partner with municipalities, but local government saw that as a violation. She added that the certification process is in statute and that the CID is trying to prevent liability in other jurisdictions.

There being no further business, the committee adjourned at 1:00 p.m.

UNAPPROVED MINUTES
of the
FIFTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

November 11-13, 2009
Room 322, State Capitol
Santa Fe

The fifth meeting of the Economic and Rural Development Committee (ERD) was called to order by Senator Bernadette M. Sanchez, chair, at 10:15 a.m. on Wednesday, November 11, 2009, in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Andrew J. Barreras
Sen. Mark Boitano
Rep. Ernest H. Chavez
Rep. Nora Espinoza (11/11-11/12)
Sen. Mary Jane M. Garcia
Rep. William J. Gray
Sen. Timothy M. Keller (11/11-11/12)
Rep. Patricia A. Lundstrom
Rep. Debbie A. Rodella

Advisory Members

Sen. Rod Adair (11/12)
Sen. Sue Wilson Beffort (11/12-11/13)
Rep. Nathan P. Cote
Rep. Sandra D. Jeff (11/12)
Sen. Carroll H. Leavell (11/12)
Rep. James Roger Madalena (11/11, 11/13)
Sen. Richard C. Martinez (11/11)
Rep. Andy Nuñez
Rep. Shirley A. Tyler
Rep. Richard D. Vigil

Absent

Rep. Dianne Miller Hamilton.
Sen. Clinton D. Harden, Jr.
Sen. Howie C. Morales
Sen. George K. Munoz
Sen. William E. Sharer

Rep. Zachary J. Cook
Sen. Dianna J. Duran
Rep. John A. Heaton
Rep. Antonio "Moe" Maestas
Rep. Rodolpho "Rudy" S. Martinez
Rep. William "Bill" R. Rehm
Sen. John M. Sapien
Sen. David Ulibarri

(Attendance dates are noted for those member not present for the entire meeting.)

Staff

Kate Ferlic
Sandy Mitchell
Aldis Philipbar

Guests

The guest list is in the original meeting file.

Wednesday, November 11

Tres Amigas Transmission Project

Phillip G. Harris, president and CEO, Tres Amigas, began by stating that he is a New Mexico native and that after he retired, he formed a group of grid operators to determine what could be done to improve energy policy. He said that he has worked with the Chinese government as well as governments in Europe, but North America is unique and it is difficult to come up with a consistent energy policy. Mr. Harris said there is a need to develop renewable energies in an environmentally friendly way. He emphasized that Tres Amigas is not seeking state funding and that the company has spent two years researching and privately funding the project. He discussed the U.S. grid concept and said that when the Tres Amigas super station is operational, it will be able to deliver electricity between participants in multiple grids and will enable renewable projects to grow.

Mr. Harris said that New Mexico is at the heart of solar and wind resources and that it has been great to work with the people in the southeast region. He said that Tres Amigas is looking at 70 gigawatts of potential power and that a study commissioned by the Western Governor's Association ranked New Mexico's potential at number one for renewable energy generation. He said that New Mexico could produce 70,573 gigawatt-hours of renewable energy annually and that the state has the most to gain and the most potential. He said that the potential impact to local economies is great and will result in hundreds of new jobs and \$78.6 million to local economies per year. However, he noted that to make this happen, New Mexico needs to have transmission lines, and he encourages policymakers to do everything possible to move this forward quickly because New Mexico has the potential but is falling behind other states.

Mr. Harris then answered questions from the committee. He said that the project is already fully funded, and they are just waiting on the state to do cost allocation to build transmission lines. In response to a question about health risks to families, Mr. Harris said that studies have shown no health risks but that the transmission lines are large and can be an eyesore. He added that there is a lot of support from people in the southeast region of the state. In response to a question about determining cost allocation, Mr. Harris replied that Tres Amigas does not have a solution for state allocation, but typically those that use it will pay for it. He said that some states use a general rule, but, regardless of how the cost is allocated, it must be done in order for the state to see the benefit. In response to other questions, Mr. Harris said that Tres Amigas enables the buying and selling of electricity through the super station. He said that they are asking for market-based rates and that the company will charge a toll for every kilowatt-hour that moves through the station. He said that Tres Amigas has leased 14,000 acres from the State Land Office for the super station and that it is likely to be the only one like it in the world. He added that the cost to put the transmission lines in place is estimated to be about \$2 billion, but the company has not run the numbers to get exact figures. He also said that Tres Amigas is working closely with the Economic Development Department (EDD).

Uranium Mining Update

Bill Brancard, director, Mining and Minerals Division, Energy, Minerals and Natural Resources Department (EMNRD), discussed the inactive/abandoned uranium mine inventory project in which the department determines which mines have had reclamation, which are in the process of reclamation and which are still in need. He said that the project came up with 259 mines with reported uranium production in 18 of 33 counties. He said that over 95% of mining occurred in the Grants uranium belt. Mr. Brancard noted that of 259 mines, 122 have had some reclamation, leaving 137 with no reclamation; so the department decided that its focus should be on those. He added that the department also tracks mines by surface ownership. He explained that the next step was to get out in the field and look at the sites to take radiological readings and begin mapping. He said that a lot more work has to be done to move forward with reclamation. He added that the division looks at various dangers posed by mines, including ground water contamination, open pits, high radiation and other risks and then prioritizes the mines by risk. He said that there has been a lot of focus on the "Poison Canyon" and Ambrosia Lake areas, where lots of mining took place. Mr. Brancard then moved on to new uranium mining. He said that uranium mining came to an abrupt halt in the 1980s, when the price of uranium dropped, but there has been a significant price increase over the past five years. He said that uranium is now produced around the globe, and the Office of the State Engineer is issuing more and more permits for exploratory drilling. He said that two companies are moving forward with the mine permit process.

Jon Indall, counsel, Uranium Producers of New Mexico, said that nuclear energy makes up 20% of U.S. energy sources but that U.S. reactors import 90% of their uranium. He said that an estimated 600 million pounds of uranium reserves exist in the United States, and the present plan is to develop about 360 million pounds, most likely in McKinley and Cibola counties. Mr. Indall said uranium production could yield up to 6,921 direct jobs over five years.

During discussion with the committee, it was noted that the Grants uranium belt is one of most controversial issues when it comes to uranium mining. In response to a question about Mount Taylor, Mr. Brancard said that Mount Taylor has been designated by the state and federal governments as a historical site, but both of the new mining projects fall within Mount Taylor boundaries on government land, and they are attempting to mitigate this issue.

Telecommunications Competition and Facility Relocation Cost Recovery

Loretta Armenta, president, New Mexico Qwest, said that the company is losing 6,000 lines a month and may not exist in the future. She added that the bill that Qwest is proposing does not change the regulatory authority of the Public Regulation Commission (PRC).

Michael Horcasitas, regulatory director, Qwest, reviewed the proposed legislation (Bill Number 2 in the bill book). He said that the proposed legislation maintains the PRC's role in determining effective competition; there is no legislative mandate to remove authority from the PRC. He said that the proposed legislation updates the existing 1985 statute to recognize telecommunications competition that did not exist in 1985 but does exist today. Mr. Horcasitas said that these competitors are not regulated by the PRC: cable companies, wireless carriers and

voice over internet protocol providers. He added that the proposed legislation eliminates subjectively in the existing statute and establishes a defined mechanism to guide the PRC.

Roman Maes, lobbyist, added that Qwest understands that technologies have changed, but Qwest feels obligated to its customers and employees and wants the opportunity to come back to lost customers and offer new services. He said that this bill would allow Qwest to be more competitive.

Brian Harris, assistant attorney general, said that he would like to address both bills (Bill Numbers 1 and 2 in the bill book). He said that Qwest and the PRC are in talks to address these issues and that the Attorney General's Office is concerned that the talks constitute an end run around the accepted process. Mr. Harris said that it is important to remember that Qwest's primary goal is to maximize shareholder profits and that the attorney general recommends that this legislation should not be put on governor's call in a session when tax hikes are on the table and could affect those who could afford it the least.

During discussion with the committee, Mr. Maes said that the PRC approved this legislation last year by a vote of 3-2. However, it was also noted by a committee member that 33% is still a huge incumbent market share and that there is a much better way to do this than with this bill. Concerns were also expressed about the attorney general's opinion of the bill that some commissioners feel is premature.

On a motion made by Senator Garcia and seconded by Representative Espinoza, Bill Number 2 was endorsed with Senator Keller in opposition.

Mr. Horcasitas then discussed Bill Number 1. He said that proposed legislation allows all New Mexico telephone companies to recover their actual costs when the state or other public entities mandate that network facilities located in the public right of way be relocated. He said that the proposed legislation caps the amount of actual costs a telephone company can recover on an annual basis at \$1 million. Mr. Horcasitas said that the cost recovery would come from a small line item cost recovery fee on the retail customer's monthly bill and requires a 30-day notice to the PRC. He added that the PRC has the authority to verify that only actual costs are recovered. He said that the actual costs do not include any upgrades to the facility being relocated and that these costs are not being recovered through existing rates. He added that the rural telephone companies will also benefit from the bill. Ms. Armenta added that last year, many felt that local governments should pick up this cost but that it is not in their budget, so it puts too heavy a burden on them.

There was some discussion among the committee about the language in the bill. A motion was made, seconded and approved to adopt amendments clarifying the language.

On a motion made by Senator Garcia and seconded by Representative Barreras, Bill Number 1 was endorsed as amended, with Representative Gray and Senator Keller in opposition.

Tax Incentives: Best Practices Bill

Ms. Ferlic, staff attorney, Legislative Council Service (LCS), reviewed Bill Numbers 3 through 5 in the bill book (Bill Number 4 was included as an example and was not up for adoption). She noted that these bills were requested by the committee and stem from state budget shortfalls due to a lack of accountability for tax incentives. She said that nuances in each tax incentive bill make it difficult to draft "catch-all" legislation, so the committee may need to amend each incentive individually. Ms. Ferlic said that Bill Number 3, a constitutional amendment, binds future legislatures to consider the factors outlined in the bill when adopting new tax incentives. She said that constitutional amendments are always germane in a 30-day session.

Richard Anklam, president and executive director, New Mexico Tax Research Institute, emphasized that if the committee is binding future legislatures, it should ensure that the language says exactly what it intends. Tom Clifford, economist, Legislative Finance Committee (LFC), said that the devil is in the details and that the LFC is on record that incentives should be easy to monitor and subject to periodic review. He added that some language in the bill needs clarification, such as "economic development tax incentives".

On a motion made by Representative Garcia and seconded by Senator Keller, the committee voted to adopt the bill as a change in statute and not a constitutional amendment.

On a motion made by Representative Garcia and seconded by Senator Garcia, the committee voted to consider the bill during the 60-day session, with Senators Keller and Boitano and Representative Espinoza in opposition.

Ms. Ferlic then reviewed Bill Number 4 as an example of how the committee or individual legislators could amend existing tax credits in order to meet best practices provisions. Mr. Anklam said that clawbacks and periodic reviews are generally considered good practices but that the committee needs to look at the intent of the incentive before making changes. He said clawbacks should be carefully considered so that people who are just trying to get through rough economic times are not penalized. Mr. Clifford added that it is possible to design clawbacks that are contingent on economic circumstances.

A motion made by Representative Garcia and seconded by Representative Lundstrom to introduce similar legislation during the legislative session was not adopted.

Procurement Code Preferences

Senator Keller said that a bill that moves preference from 5% to 10% for in-state businesses was requested by the committee. Ms. Ferlic added that very rarely does this preference come into play because the definition of "resident business" is so broad.

A motion was made, seconded and adopted to change "resident business" to "New Mexico resident business".

On a motion made by Senator Garcia and seconded by Senator Sanchez, the bill was endorsed by the committee.

Grants to Energy, Minerals and Natural Resources

Senator Keller said that a bill from New Mexico First would change the law to study triple bottom line impact. He said that the bill would help fund a study of the social, economic and environmental impacts of various pieces of legislation. It was suggested that "triple bottom line" be defined in the bill and that a sunset provision be added. Ms. Ferlic said that a temporary provision of two years could be added.

On a motion made by Representative Lundstrom and seconded by Senator Garcia, the bill was endorsed by the committee.

Thursday, November 12

Individual Development Accounts

Ona Porter, executive director, Community Action New Mexico, said that there are marked disparities in asset ownership among New Mexico residents. She explained that a household is classified as asset poor if it lacks the resources to subsist at the poverty level for three months if it loses its source of income. She said that the state's asset poverty rate is an indicator of economic security and that 19% of those earning between \$48,801 and \$68,800 are asset poor. Ms. Porter said that the state can help by increasing incomes, removing savings disincentives, providing savings incentives and protecting against certain asset stripping, for example by minimizing utility expenses.

Regulatory Process Legislation

T.J. Trujillo, chair, Regulatory Committee, and second vice chair, Association of Commerce and Industry (ACI), reviewed Bill Number 9, which would allow the legislature to nullify an administrative rule or regulation adopted by an executive agency by the passage of a resolution by the majority of the legislature. He said that this constitutional amendment is modeled after legislation in Iowa. He added that Iowa was chosen because its constitution has language similar to New Mexico's. After some discussion, Mr. Trujillo said that this legislation has been very effective in Iowa as an unspoken check on power. Beverlee McClure, president and CEO, ACI, Representative Nuñez and Representative Barreras were also available to answer questions from committee members.

On a motion made by Representative Espinoza and seconded by Senator Garcia, the bill was endorsed by the committee. Bill Numbers 10 and 11 were also endorsed by the committee.

The Business Climate in New Mexico

Ms. McClure introduced panel members, all New Mexico business owners, with anecdotal evidence of how the recession has affected the business climate in the state. David Doyle, president and owner, Enterprise Builders, said that he owns a small construction business that employs about 45 people. He said that the construction industry has been hit very hard by the

economy and that he and others are concerned about what will happen in the coming year. Mr. Doyle explained that most projects are privately funded, but banking is in a bad situation now, so it is harder to get loans. He said that he has had to cut 20% of his work force and cut the salaries of those remaining. He said that he is doing whatever it takes to stay in business. He also expressed concern about the \$150 million cut in capital outlay projects, projects on which his company could have bid.

Denise Baker, president and CEO, D.R.B. Electric, Inc., said that her company has been in business since 1986, with steady growth until 2006. Since 2006, business has been declining. She said that D.R.B. used to compete against three or four others bidders, but now it is competing against 15 other bidders. Ms. Baker said that the company used to make a 30% to 40% percent profit, but now it makes about an 8% profit. She noted that it has been bidding jobs at the lowest rate possible and has done everything possible to downsize.

Raymond Mondragon, vice president, ENMR Plateau, said that a recent article assessed the business climate in various states based on labor costs, taxes, cost of litigation, etc., and ranked Texas at the top. He said that southeast New Mexico has to compete with companies in Texas for business. Ms. McClure added that businesses with headquarters outside of the state are starting to look at the cost of doing business in each state, and some are concluding that the cost of doing business in New Mexico is too high.

The panel then answered questions from committee members. In response to a question about recommendations for incentives, Mr. Mondragon said that New Mexico has good incentives, but that the Job Training Incentive Program is the most effective program. He also suggested looking at over-regulation. Ms. McClure suggested putting together a work group to look at ways to streamline and to eliminate duplicity. It was also suggested that, potentially, the best incentive would be to refrain from switching tax systems.

Regulatory Structure

Kelly O'Donnell, superintendent, Regulation and Licensing Department (RLD), said that 250,000 people are licensed by the RLD and that the overriding goal of the department is public safety followed by consumer protection and economic development. She noted that many industries want to be regulated because regulation serves a benefit; for example, one of the main drivers behind the mortgage finance reform bill that passed last year was the home mortgage industry. She said that those who do not want regulation are on the fringes of the industry. She acknowledged that people do get frustrated with the RLD, but usually it is because the department does not have the resources to police everything. She said that the RLD is trying to respond quickly to consumer complaints and is trying to be more sensitive to issues such as the length of time it takes to get a beer and wine or a liquor license. She said that the RLD has decreased the time it takes to get those licenses and is still working on it. She also acknowledged that the RLD gets a lot of complaints against its Construction Industries Division (CID), but the CID is down 17% in staff and is still turning around inspections within 24 hours.

Combined Reporting

Michael Mazerov, senior fellow, state fiscal project, Center on Budget and Policy Priorities, reviewed with the committee the proposed legislation (Bill Number 12 in the bill book, for discussion only) that would require any corporation that is subject to the Corporate Income and Franchise Act to file a combined tax return. Senator Wirth said that the state is looking at how combined reporting would work in New Mexico and how to implement it successfully. He said that the bill does not raise the current tax rate and asked why New Mexico companies should pay, and why multistate companies should not. Senator Wirth noted that New Mexico and Oklahoma are the only two states west of the Mississippi River that do not require combined reporting, and he called it a question of fairness.

In response to a question from a committee member, Senator Wirth said that the state is estimating an additional 20 percent in corporate income tax revenue. It was also suggested that the state address those who are gaming the system before imposing a new tax system that could be a burden.

Abuse of Credit Checks by Employers

Representative Lundstrom explained the proposed legislation (Bill Number 13 in the bill book) that would prohibit the use of consumer credit reports by employers. She also suggested adding an effective date of July 1, 2010.

On a motion made by Senator Garcia and seconded by Representative Garcia, the bill was endorsed by the committee.

Transportation Weight-Distance Revenue Enhancements

Secretary Rick Homans, Taxation and Revenue Department (TRD), said that road fund revenues are declining, and these funds directly affect the State Road Fund. He said that New Mexico is one of only four states to administer a weight-distance tax (WDT); the other 46 states apply a much higher registration fee on commercial vehicles. He said that the WDT is applied to commercial vehicles registered in New Mexico, whereas the trip tax is applied to those not registered in the state and yields about 10 times the revenue of the WDT. He also noted that even though New Mexico does not impose high registration fees like other states, the total annual fees collected by the state are still on par. However, he added that since 2007, permit fee revenues have been declining. Secretary Homans discussed the WDT enforcement initiative plan, which will have a projected \$7 million positive impact on the State Road Fund at no cost to the state general fund. Colonel Forrest Smith, Department of Public Safety (DPS), discussed the WDT enforcement operations at ports of entry. He said that the focus of the enforcement blitz was on WTD and trip tax compliance and the safety of state highways. He said that in 2009, there were eight drug seizures in Gallup resulting in the confiscation of 515.2 pounds of marijuana and 226 pounds of cocaine. He also discussed the "No Tax No Tolerance" intrastate operation, saying that the DPS was able to stop only about 45% of the commercial vehicles identified as not having a WDT permit due to a lack of manpower. He added that having two mobile license plate/DOT readers will help with compliance. In summation, Secretary Homans said that the trucking industry has a significant impact on the state's economy. He said that there has been a decline in interstate freight of 20% to 25% which results in a decline in revenues. He

said that compliance with the WDT is essential to the State Road Fund revenue stream.

Secretary Homans and Colonel Smith then answered questions from the committee. Secretary Homans said that any penalties are based on the amount of underreporting on taxes and truck weight. In response to a question about why New Mexico has not gone to an international registry, Secretary Homans said that the WDT is more accurate and that there have been objections from the small local trucking companies about moving to an international registry. He added that the state has a good compliance record.

Development of Citing Regulation for Wind Farms

Eileen Mulvihill, Ph.D., New Mexico Cares, discussed the proposed memorial regarding regulations for wind farms. She said that the state wants 40% of its energy to come from wind farms, which means massive wind farms that may be inappropriate in some areas. She pointed out the potential ill-health effects that wind farms can have on neighboring communities, especially with regard to noise levels. She also suggested that the memorial call for a study of the economic impact of wind farms that have already been developed.

On a motion made by Representative Vigil and seconded by Senator Adair, the bill was endorsed by the committee.

Paula Tackett, director, LCS, and Raul Burciaga, deputy director for drafting services, LCS, gave a brief presentation on the vetoes made by the governor to the special session legislation to fix the 2009 budget shortfalls.

Friday, November 13

Spaceport Legislation

Steve Landeen, chair, New Mexico Spaceport Authority, reviewed the proposed legislation (Bill Number 17) that would require informed consent of space flight participants and establish a public policy that all space flight participants who execute waivers assume the risks of engaging in space flight activities. He hoped that this bill would be endorsed by the New Mexico Finance Authority Oversight Committee. He also said that this bill is important to job growth in the state and that it is about the consumer assuming the risk and the state recognizing the waiver as legitimate. Geno Zamora, EDD, added that the state is at the cutting edge of commercial space flight and that this bill ensures that travelers are informed of the risk.

Mr. Landeen then answered questions from committee members. He said that Virgin Galactic already has more than 300 participants who have paid deposits. In response to a question about educational programs, Mr. Landeen said that there is about \$1 million to \$2 million a year available for educational space programs administered by public schools. Mr. Zamora added that the bill has already been added to the governor's call. On a motion made and seconded, the bill was endorsed by the committee.

New Mexico Rodeo Council

Robert Detweiler, chair, New Mexico Rodeo Council, reviewed the proposed legislation (Bill Number 18 in the bill book), which would create the New Mexico Rodeo Council and attach the council to the EDD. He said that the proposed legislation would create a profitable partnership and allow New Mexico to remain competitive with other states. He said that every year, rodeo participants and fans spend millions of dollars all over the state, and he cited Carlsbad as a community benefiting from the rodeo. In response to a question from a committee member, Debbie Romero, director of boards and commissions, Office of the Governor, said that there is a rodeo council that was created by executive order but that the council would like to see its creation in statute. She added that the bill is on the governor's call and that currently the council's budget is under the Department of Finance and Administration, but it would need to be moved under EDD. Secretary Mondragon, EDD, said that he would be happy to manage the rodeo council's budget. However, some committee members expressed concerns that there may not be any money to transfer with it.

On a motion made by Representative Garcia and seconded by Senator Garcia, the bill was tabled.

Arts and Cultural Districts

Rich Williams, state coordinator, New Mexico Arts and Cultural Districts, EDD, reviewed the proposed legislation (Bill Number 19 in the bill book) that would clarify and expand the types of arts and cultural districts and their designation procedures.

On a motion made and seconded, the bill was endorsed by the committee.

Film Production Tax Credit

Lisa Strout, New Mexico Film Office, reviewed the proposed legislation that would clarify certain provisions of the film production tax credit, provide for withholding of income taxes by pass-through entities and provide an exemption from gross receipts taxes. Ms. Strout said that the film industry is counterintuitive to the economy; it usually grows as the economy dwindles. She also said that a lot of companies in California are looking to move to New Mexico because of the state's model.

Ms. Strout then answered questions from the committee. Some concern was expressed by committee members over the fact that the committee was discussing tax increases and tax incentives in the same day. However, it was also pointed out that this bill adds more accountability, not more tax credits. Ms. Strout added that 43 other states offer film tax incentives.

A motion was made and seconded to endorse the legislation. The motion failed by a vote of 5-4.

Other Legislation

The committee voted to table the rest of the tax legislation under consideration. The committee decided that decisions on tax increases should not be made piecemeal, but rather as

part of an overall plan.

There no longer being a quorum, the committee adjourned at 11:20 a.m.

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Economic and Rural Development Committee Legislative Endorsements

The Economic and Rural Development Committee endorsed legislation on the following topics: telecommunications regulation; telecommunications facility relocation cost recovery; Procurement Code preferences; triple bottom line accounting; administrative regulations review; executive reorganization; composition of the Water Quality Control Commission; employer use of consumer credit reports; commercial wind facilities; space flight tort claims; and arts and cultural districts.