

# Economic and Rural Development Committee

## 2012 INTERIM REPORT



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

**January 2013**  
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**ECONOMIC AND RURAL DEVELOPMENT COMMITTEE  
2012 INTERIM FINAL REPORT**

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# **2012 Interim Summary**

## **ECONOMIC AND RURAL DEVELOPMENT COMMITTEE 2012 INTERIM SUMMARY**

During the 2012 legislative interim, the Economic and Rural Development Committee (ERDC) concentrated on topics central to the state's economy in both rural and urban areas. As in previous years, the ERDC convened in areas beyond the I-25 corridor, staying true to its mission to reach out to communities throughout the state. ERDC meetings were held in Santa Fe, Chama, Truth or Consequences, Gallup and Albuquerque.

The second meeting of the ERDC was held in Chama and focused on presentations from Northern New Mexico College, the New Mexico oil and gas industry and New Mexico First and about the proposed Transfer of Public Lands Act. At this meeting, ERDC members questioned representatives from the Economic Development Department (EDD), during a presentation on how to access state money, about how to best close loopholes and to effectively institute clawback provisions on tax credits, citing specific examples of the state losing large contracts and sums of money.

In Truth or Consequences, the ERDC received an update on the MainStreet Program and the various successes it has enjoyed throughout the state. A few highlights of the MainStreet Program were the addition of 670 new businesses in New Mexico, 107 business expansions and the creation of more than 2,998 jobs.

During the interim, the ERDC took tours of the Spaceport, the Cumbres and Toltec Scenic Railroad train station, Richardson's Trading Post, Mesa del Sol and the Albuquerque Studios. These tours highlighted economic development in their respective regions with an emphasis on tourism.

The ERDC met in Gallup to discuss issues relating to telecommunications in New Mexico. There was concern over effective competition among telecommunications carriers in New Mexico and larger national companies. The committee also received several presentations on tourism in the region and future opportunities for New Mexico as a whole.

At the Albuquerque/University of New Mexico (UNM) meeting, the committee heard testimony on public improvement districts and the Mariposa dispute. The ERDC also received a presentation from the Regulation and Licensing Department, including its Construction Industries Division, regarding the licensing of inspectors and the creation of a chief building official, which raised significant disagreements. The issue resurfaced without a concrete solution at the final meeting of the ERDC.

The ERDC endorsed several pieces of legislation for the upcoming session, covering the following topics: creating requirements for proposing, adopting, amending or repealing rules; an appropriation for food entrepreneur projects; licensing construction inspectors; an appropriation for MainStreet programs; an appropriation for the Frontier Communities Program; amending the Arts and Cultural District Act with an appropriation; telecommunications regulations and fees; an appropriation for UNM to expand the Design and Planning Assistance Center at the School of Architecture and Planning; and an appropriation to the EDD for job attraction and retention.



# **2012 Approved Work Plan and Meeting Schedule**

**2012 APPROVED  
WORK PLAN AND MEETING SCHEDULE  
for the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

The Economic and Rural Development Committee (ERDC) was created by the New Mexico Legislative Council on May 9, 2012.

**Members**

Rep. Debbie A. Rodella, Chair  
Sen. Bernadette M. Sanchez, Vice Chair  
Sen. Mark Boitano  
Rep. Ernest H. Chavez  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Nate Gentry

Rep. Dianne Miller Hamilton  
Sen. Clinton D. Harden, Jr.  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez  
Sen. Howie C. Morales  
Sen. David Ulibarri

**Advisory Members**

Sen. Rod Adair  
Sen. Sue Wilson Beffort  
Sen. William F. Burt  
Rep. Zachary J. Cook  
Rep. George Dodge, Jr.  
Rep. Sandra D. Jeff  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena

Sen. George K. Munoz  
Rep. Andy Nuñez  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Sen. John M. Sapien  
Rep. Thomas C. Taylor  
Rep. Richard D. Vigil

**Work Plan**

During the 2012 interim, the ERDC proposes to:

1. receive a report on existing tax increment development districts and how legislative appropriations and capital outlay funds are being spent and tour Mesa del Sol and Winrock;
2. receive a presentation from the Economic Development Department (EDD) on its current initiatives, its objectives for the fiscal year and expectations for the foreseeable future and any proposed legislation or issues that the EDD sees as its top priorities;
3. receive an evaluation of all tax incentives in the state by the EDD and the Legislative Finance Committee in terms of jobs and growth;
4. receive a report from the Tourism Department on its current initiatives, its vision for the future and any proposed legislation or issues that the Tourism Department sees as its top priorities;
5. receive a report on homeowners association regulations and laws and their effectiveness and study the statutory and regulatory powers of homeowners associations as well as the rights of members;

6. receive a report from the Regulation and Licensing Department (RLD) regarding reciprocity, the RLD's vision and goals and any proposed legislation or issues that it sees as its top priorities on how to best support and promote businesses in the state and how to improve licensing of businesses in the state;

7. consider the economic impact of the wine industry and microbreweries and receive a report from the RLD and industry professionals on beer and wine licenses versus liquor licenses and determine whether policy changes are necessary;

8. examine the authority of the Construction Industries Division of the RLD to oversee local inspectors;

9. receive reports from various industries and angel investors to assess what must be done to bring jobs to the state, in particular, rural areas of the state. Industries include film, nuclear energy and waste disposal, oil and gas, mining, agriculture, conservation and recycling, renewable energy and health care;

10. receive an update on Spaceport America and the New Mexico Space Grant Consortium;

11. address the concern that the lack of a well-trained work force is often cited as one of the barriers to business recruitment and receive a report by the Higher Education Department and the Workforce Solutions Department on unemployment issues, what careers are in demand now and in the near future and how the state can respond;

12. receive a report from the New Mexico Partnership about the work that it does;

13. receive an update by Prosperity Works on the effectiveness of prize-linked savings accounts and children's savings accounts;

14. assess the importance of creating a consistent rulemaking process and its impact on businesses and consumers: e.g., the new model Administrative Procedures Act, Senate Bill 30 (2011) and House Bill 34 (2012);

15. explore agricultural issues, including the pecan industry, its impact on rural New Mexico and how New Mexico State University is involved;

16. review the Utah Transfer of Public Lands Act;

17. receive an update on uranium mining, including development and cleanup;

18. receive a presentation regarding the New Mexico MainStreet Program and its arts and cultural districts initiatives, including a tour to see local projects that local MainStreet organizations have accomplished;

19. tour the Gallup business improvement district and discuss a tax credit it is seeking;

20. receive a presentation by the Cumbres & Toltec Scenic Railroad and discuss tourism as rural economic development;

21. receive a presentation by the Design Planning Assistance Center on the positive impacts on economic and design development projects in communities around the state;

22. receive a presentation from the dean of the University of New Mexico School of Architecture and Planning regarding the economic impact of the architecture and construction industries;

23. receive a presentation from Northern New Mexico College on its impact on the economy in northern New Mexico;

24. receive a presentation from New Mexico State University on its economic impact to the state; and

25. receive a presentation from the Burlington Northern Santa Fe Railway.

**Economic and Rural Development Committee  
2012 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 6	Santa Fe
July 12-13	Chama
August 16-17	Truth or Consequences
September 20-21	Gallup
October 1-2	Albuquerque
November 1	Santa Fe

# AGENDAS

Revised: May 30, 2012

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

**June 6, 2012  
Room 322, State Capitol**

**Wednesday, June 6**

- 10:00 a.m.     **Call to Order**
- 10:05 a.m.     **Initiatives and Legislative Priorities of the Tourism Department**  
—Monique Jacobson, Secretary, Tourism Department
- 11:00 a.m.     **Considering Children's Savings Accounts and Prize-Linked Savings  
Accounts**  
—Ona Porter, President and Chief Executive Officer (CEO), Prosperity Works  
—Sharon Henderson, Vice President of Strategic Initiatives, Prosperity Works
- 12:00 noon    **Lunch**
- 1:00 p.m.     **New Mexico Partnership: Attracting New Businesses to New Mexico**  
—Steve Vierck, President and CEO, New Mexico Partnership
- 2:00 p.m.     **Aiming for Consistency in the Rulemaking Process: Senate Bill 30 (2011)  
and House Bill 34 (2012)**  
—John Hyrum Martinez, State Records Administrator
- 3:00 p.m.     **Successes, Challenges and Legislative Priorities of the Economic  
Development Department**  
—Jonathan L. Barela, Secretary, Economic Development Department
- 4:00 p.m.     **Economic and Rural Development Committee 2012 Work Plan**  
—Peter Kovnat, Staff Attorney, Legislative Council Service
- 5:00 p.m.     **Adjourn**

Revised: July 10, 2012

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

**July 12-13, 2012  
Chama Elementary/Middle School Gymnasium  
Chama**

**Thursday, July 12**

- 10:00 a.m.     **Call to Order**
- 10:05 a.m.     **Welcoming Remarks**  
—Archie Vigil, Mayor, Village of Chama  
—Other Village of Chama Council Members (TBD)
- 11:00 a.m.     **Northern New Mexico College (NNMC): The Economic Benefit of the  
Institute on Northern New Mexico**  
—Ricky Serna, Vice President for Institutional Advancement, NNMC  
—Dr. Camilla Bustamante, Dean, College of Community, Workforce and Career  
Technical Education, NNMC
- 12:00 noon    **Lunch**
- 1:00 p.m.     **How to Access State Money**  
—Therese Varela, Director, Economic Development Division, Economic  
Development Department
- 2:00 p.m.     **Update on the New Mexico Oil and Gas Industry**  
—Karin Foster, Executive Director of the Independent Petroleum Association of  
New Mexico
- 3:00 p.m.     **New Mexico First**  
—Heather W. Balas, President and Executive Director, New Mexico First
- 4:00 p.m.     **Recess**

**Friday, July 13**

- 9:00 a.m.     **Call to Order**

- 9:05 a.m.     **Discussion of the Return of Public Lands Act**  
—Representative Yvette Herrell, District 51
- 10:45 a.m.     The committee, staff and audience will leave the Chama Elementary/Middle School Gymnasium and reconvene at the Cumbres & Toltec Scenic Railroad.
- 11:00 a.m.     **Cumbres & Toltec Scenic Railroad Presentation and Tour**  
—Katherine Cox, Marketing Manager, Cumbres & Toltec Scenic Railroad
- 12:00 noon     **Adjourn**

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

**August 16-17, 2012  
Ralph Edwards Auditorium  
Truth or Consequences Civic Center  
Truth or Consequences**

**Thursday, August 16**

- 10:00 a.m.     **Call to Order**
- 10:05 a.m.     **Welcoming Remarks**  
—John Mulcahy, Mayor, Truth or Consequences
- 11:00 a.m.     **The Copper Flat Project: Copper Mining and Economic Development in  
Sierra County**  
—Ann Carpenter, Project Director, Copper Flat Mine
- 12:00 noon    **Lunch**
- 1:00 p.m.     **Updates on the MainStreet Program**  
—Linda DeMarino, President, Truth or Consequences MainStreet  
—Mark Lake, Director, Tucumcari MainStreet; Chair, New Mexico Coalition of  
MainStreet Communities (NMCMSC)  
—Amy Barnhart, Director, Carlsbad MainStreet; Treasurer, NMCMSC  
—Cynthia Spray, Director, Taos Arts and Cultural District; Secretary, NMCMSC
- 2:00 p.m.     **Development of Pecan Industry and Its Economic Impact**  
—Dr. Richard Heerema, Extension Pecan Specialist, Cooperative Extension  
Service, New Mexico State University (NMSU)  
—Brad Lewis, Research Entomologist, Agricultural Experiment Station, NMSU  
—David Lucero, Director, Marketing and Development Division, New Mexico  
Department of Agriculture
- 3:00 p.m.     **The Economic Impact of NMSU**  
—Dr. Jim Peach, Regents Professor, Department of Economics and International  
Business, NMSU
- 4:00 p.m.     **Capital Outlay Reform White Paper**  
—Hubert Quintana, Executive Director, Southeastern New Mexico Development  
District

5:00 p.m.     **Recess**

**Friday, August 17**

9:00 a.m.     **Call to Order**

9:05 a.m.     **Update on Spaceport America and Tour**  
—Christine Anderson, Executive Director, Spaceport Authority

12:00 noon    **Adjourn**

Revised: September 18, 2012

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

**September 20-21, 2012  
El Morro Theater  
207 West Coal Avenue, Gallup**

**Thursday, September 20**

- 10:00 a.m.     **Call to Order**
- 10:05 a.m.     **Welcoming Remarks**  
—David Dallago, Chair, McKinley County Board of Commissioners  
—Allan Landavazo, Mayor Pro-Tem, City of Gallup  
—Tommy Haws, President, Greater Gallup Economic Development Corporation  
(GGEDC)
- 11:00 a.m.     **Update by Burlington Northern Santa Fe (BNSF) Railway Company and  
GGEDC**  
—LaTonya Finch, Regional Manager of Economic Development, BNSF Railway  
Company  
—Frank Mraz, Vice President, GGEDC
- 12:00 noon    **Lunch** (Update on the Gallup Business Improvement District (BID) with a  
Downtown Walk to a Local Restaurant, Sammy C's)  
—Lindsey Mapes, Executive Director, Gallup BID  
—James Rich, President, Gallup BID Board
- 1:30 p.m.     **New Mexico Partnership**  
—Sean Ormand, Vice Chair, New Mexico Partnership Board  
—Steve Vierck, President and Chief Executive Officer (CEO), New Mexico  
Partnership  
—Joe DiGregorio, Region 1 Board Member, New Mexico Partnership
- 2:30 p.m.     **The Impact and Importance of Tourism to Rural New Mexico and the Need  
for Adequate Sustainable Funding**  
—Sharon S. Schultz, CEO, Tourism Association of New Mexico

3:30 p.m.     **Telecommunications Issues in New Mexico**  
—Leo Baca, State Legislative Affairs Director, CenturyLink  
—Charlie Ferrell, Executive Director, New Mexico Exchange Carrier Group  
                  (NMECG)  
—Sam Ray, Lobbyist, NMECG  
—John Badal, CEO, Sacred Wind Communications

4:30 p.m.     **Regional Tourism Strategies: Global Center for Cultural Entrepreneurship  
(GCCE)**  
—Tom Ageson, Executive Director, GCCE

5:30 p.m.     **Recess**

**Friday, September 21**

9:00 a.m.     **Call to Order**

9:05 a.m.     **Adventure Gallup and Beyond: Its Impact and Its Model**  
—Evan Williams, Deputy Director, Northwest New Mexico Council of  
                  Governments  
—Karl Lohman, Vice President of the Board of Directors, Adventure Gallup and  
                  Beyond

10:00 a.m.    **New Mexico Oil and Gas Association (NMOGA): Economic Development in  
Rural Areas**  
—Kent Cravens, Director, Governmental Affairs, NMOGA

11:00 a.m.    **Inter-Tribal Indian Ceremonial Association: Economic Impact of Indian  
Arts and Crafts**  
—Tammy Barton-Damon, Board Member, Inter-Tribal Indian Ceremonial  
                  Association

11:15 a.m.    **Tour of the Richardson's Trading Post: Economic Impact of Indian Arts  
and Crafts**  
—Larry Fulbright, Richardson's Trading Company

12:00 noon    **Adjourn**

Revised: September 28, 2012

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

**October 1, 2012  
The Science and Technology Park Rotunda  
University of New Mexico (UNM)  
801 University Blvd. SE, Park North  
Albuquerque**

**October 2, 2012  
The Aperture Center at Mesa Del Sol  
5700B University West Blvd. SE  
Albuquerque**

**Monday, October 1**

- 10:00 a.m.    **Call to Order**
- 10:05 a.m.    **Welcoming Remarks**  
—Dr. Robert Frank, President, UNM
- 11:00 a.m.    **UNM School of Architecture and Planning Assistance Center**  
—Geraldine Forbes Isais, M.A., Dean, UNM School of Architecture and Planning  
—Rich Williams, Director, New Mexico MainStreet
- 12:00 noon    **Lunch**
- 1:00 p.m.    **Biomass as an Economic Resource**  
—Jacob Berman, Vice President of Business Development, Incitor, Inc.
- 2:00 p.m.    **The Merits and Pitfalls of Credit Transferability and Economic Incentives**  
—Ethan Epstein, Juris Doctor and Principal, Epstein & Company, LLC
- 3:00 p.m.    **Mariposa: Bond Counsel and the Home Building Industry**  
—Randy Traynor, Traynor Associates, LLC  
—Garret Price, Pulte Homes  
—Justin Horwitz, Attorney, Rodey Law Firm  
—Vanessa Alarid, Director of Government Affairs, New Mexico Home Builders  
Association  
—Karen Meyers, Director, Consumer Protection Division, Attorney General's Office

4:00 p.m.     **Building Food Entrepreneurs Across New Mexico**  
—Tim Nisly, Chief Operating Officer, Rio Grande Community Development Corporation

4:45 p.m.     **Recess**

**Tuesday, October 2**

9:00 a.m.     **Call to Order**

9:05 a.m.     **Initiatives and Legislative Priorities of the Regulation and Licensing Department (RLD)**  
— J. Dee Dennis, Superintendent, RLD  
—Mary Kay Root, Deputy Superintendent, RLD

10:00 a.m.    **Update on Flexibility for Local Construction Inspectors: SB 262 (2011)**  
—Katherine Martinez, Director, Construction Industries Division, RLD  
—Walt Senoski, Vice President, Central New Mexico Chapter of Building Officials  
—Chris Williams, Chair, New Mexico Council of Code Officials

11:30 a.m.    **Lunch**

12:30 p.m.    **Tour of Mesa Del Sol**

2:30 p.m.     **Tour of Albuquerque Film Studios**

4:30 p.m.     **Adjourn**

Revised: October 30, 2012

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

**November 1, 2012  
Room 322, State Capitol  
Santa Fe**

**Thursday, November 1**

- 9:30 a.m.     **Call to Order**
- 9:35 a.m.     **Legislative Finance Committee (LFC) Program Evaluation of Job Creation Incentives**  
—Maria Griego, Program Evaluator, LFC  
—Brenda Fresquez, Program Evaluator, LFC  
—Jonathan L. Barela, Secretary, Economic Development Department  
—Demesia Padilla, Secretary, Taxation and Revenue Department  
—Tom Clifford, Secretary, Department of Finance and Administration
- 11:00 a.m.     **Rulemaking Consistency Bill: .190092.1**  
—John Hyrum Martinez, State Records Administrator
- 11:30 a.m.     **Kitchen Accelerator Program Appropriation Bill: .190466.3**  
—Tim Nisly, Chief Operating Officer, Rio Grande Community Development Corporation
- 12:00 noon    **Lunch**
- 1:00 p.m.     **Construction Inspector Bills: .190381.3, .190387.1, 190415.4SA and .190533.2**  
—Katherine Martinez, Director, Construction Industries Division, Regulation and Licensing Department  
—Walt Senoski, Vice President, Central New Mexico Chapter of Building Officials  
—Chris Williams, Chair, New Mexico Council of Code Officials
- 2:15 p.m.     **MainStreet Bills: .190468.1, .190469.1 and .190467.2**  
—Mark Lake, Director, Tucumcari MainStreet; Chair, New Mexico Coalition of MainStreet Communities (NMCMSC)  
—Allison Smith, Lobbyist, NMCMSC

- 3:15 p.m.     **Individual Development Account Appropriation Bill: .190503.1**  
—Ona Porter, President and Chief Executive Officer, Prosperity Works  
—Sharon Henderson, Vice President of Strategic Initiatives, Prosperity Works
- 3:45 p.m.     **Telecommunications Bills: .190500.3 and .190501.2**  
—Charlie Ferrell, Executive Director, New Mexico Exchange Carrier Group  
                  (NMECG)  
—Sam Ray, Lobbyist, NMECG
- 4:30 p.m.     **University of New Mexico (UNM) Design and Planning Assistance Center  
Appropriation Bill: .190567.1**  
—Tanya R. Giddings, Government Relations Officer, UNM Office of Community  
                  Relations
- 4:45 p.m.     **Adjourn**

# MINUTES

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

**June 6, 2012  
Room 322, State Capitol**

The first meeting of the Economic and Rural Development Committee (ERDC) for the 2012 interim was called to order by Representative Debbie A. Rodella, chair, on Wednesday, June 6, 2012, at 10:12 a.m. in Room 322 of the State Capitol in Santa Fe.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Bernadette M. Sanchez, Vice Chair  
Rep. Ernest H. Chavez  
Rep. Nate Gentry  
Sen. Clinton D. Harden, Jr.  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom

**Absent**

Sen. Mark Boitano  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Dianne Miller Hamilton  
Sen. Richard C. Martinez  
Sen. Howie C. Morales  
Sen. David Ulibarri

**Advisory Members**

Sen. Rod Adair  
Sen. Sue Wilson Beffort  
Rep. Zachary J. Cook  
\*Rep. George Dodge, Jr.  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Rep. Andy Nuñez  
Sen. John Pinto  
Rep. Richard D. Vigil

Sen. William F. Burt  
Rep. Sandra D. Jeff  
Sen. George K. Munoz  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Sen. John M. Sapien  
Rep. Thomas C. Taylor

\* Promoted to a voting member for this meeting.

**Guest Legislator**

Sen. Carlos R. Cisneros

**Staff**

Peter Kovnat, Legislative Council Service (LCS)  
Sean Sullivan, LCS  
Melissa Candelaria, LCS

## **Guests**

The guest list is in the archived meeting file.

## **Handouts**

Copies of all handouts are in the meeting file.

## **Wednesday, June 6**

### **Call to Order**

Representative Rodella called the meeting to order at 10:12 a.m. and welcomed the committee and members of the audience to the meeting. She then asked committee members and staff to introduce themselves, which they did.

### **Initiatives and Legislative Priorities of the Tourism Department**

Monique Jacobson, secretary, Tourism Department, introduced herself and her staff to the committee. Secretary Jacobson noted that tourism is a \$5.5 billion industry in New Mexico and stated that her presentation would center around four strategic areas where the department is working to improve in the next year.

First, Secretary Jacobson stated that the department is working to build a stronger magnetic brand for the state. Secretary Jacobson described the initial phase of the New Mexico True advertising campaign launch in surrounding states. Secretary Jacobson then addressed how the department has redesigned its web site. The web site was made more user-friendly and designed to serve as a conversion vehicle for smaller rural areas, with future phases to include the addition of a booking agent. Secretary Jacobson went on to note that a goal of the department was to strengthen its social media presence. The level of interaction with users on Facebook, Twitter and YouTube has increased. Secretary Jacobson then outlined a more aggressive public relations plan, including a recent media event in New York to target tourism publishers.

Second, Secretary Jacobson noted that a major goal is to unify and lead tourism industry partners. Secretary Jacobson explained ways in which the department could leverage its scale to create financial advantages for its partners. She talked about the marketing partnership program, which provides advertising templates to communities around the state; the New York press event; and economic impact modeling, which any community can do for \$5,000. Secretary Jacobson explained the reasoning behind launching an industry web site, which was primarily to provide a one-stop shop for anyone in the industry to know what the department is doing and to foster communication between partners. Secretary Jacobson then discussed the co-op program, which in fiscal year (FY) 2012 resulted in 159 entities working together to promote their areas or regions, up from 24 in FY 2011. Secretary Jacobson also mentioned the Indian tourism program, which collaborated with chambers of commerce and tribal administrators to form an Indian tourism press trip and conducts personal outreach to understand the unique needs of tribes.

Secretary Jacobson noted that the third goal of the department is to ramp up its financial and research rigor. Secretary Jacobson summarized the efficiencies gained during the last fiscal year, including *New Mexico Magazine* going from operating at a \$600,000 deficit to becoming a self-

sustaining entity, while improving the content and delivery. Secretary Jacobson added that the department increased FY 2013 advertising spending by \$500,000 by reallocating dollars, while spending \$56,000 less on travel between FY 2011 and FY 2012. Secretary Jacobson emphasized the importance of conducting quantitative and qualitative research and key driver studies to inform advertising campaigns. Secretary Jacobson also stated that the department would be conducting an economic impact study and a return on investment (ROI) study in the fall to ensure that every dollar spent creates an adequate ROI.

Lastly, Secretary Jacobson explained the department's initiatives to promote travel within the state. Secretary Jacobson described the Catch the Kid campaign, which generated between \$4 million to \$5 million in direct economic impact and led to 15,000 people traveling within the state. Secretary Jacobson went on to detail the Get the Picture campaign, which was designed to promote the New Mexico centennial. This campaign has already resulted in 5,000 photo submissions and over 54,000 web site visits. Secretary Jacobson finished by showing the committee New Mexico advertising campaigns since 2006, explaining their flaws, and presenting the New Mexico True campaign.

### **Questions**

A committee member noted that he was working with the Hobbs Chamber of Commerce, New Mexico Department of Transportation (DOT) and other organizations to put together a welcome center. He then asked if the Tourism Department would be willing to work with them to develop this center and invited someone from the department to the next meeting. Secretary Jacobson stated that someone from the department would be at the next meeting and would help with brochures and provide training.

A committee member inquired into the science behind the department's initiatives. She noted that this information is tied into the budget requests, so it would be helpful for the secretary of tourism to present the methodologies used. The legislator also asked how long advertising campaigns usually run. Secretary Jacobson noted that the department is working with Longwoods International and that emotion and brand building is what drives tourism. Secretary Jacobson did state that insights into the science will be derived from the ROI study. She also stated that the New Mexico True campaign should be indefinite, while the True/False campaign should last around three to five years.

Another committee member stated that she likes the new advertising approach and noted that a niche should be to have New Mexico residents travel to nearby towns in the state. The committee member asked about additional avenues for advertising and how to ensure that small communities are using the Tourism Department. Secretary Jacobson explained that New Mexico residents are less likely to travel within the state than they are to travel to the surrounding states. The Catch the Kid and Get the Picture campaigns are designed to spur in-state travel.

A committee member questioned whether there were any results of the economic impact modeling to see and what the value was for communities to take advantage of this research. Secretary Jacobson directed the question to Jim Orr, who runs the economic impact modeling for the Tourism Department. Mr. Orr stated that the department is hiring two companies to conduct an ROI study of summer advertising. Longwoods International will complete the survey portion in surrounding areas to ask about New Mexico tourism, and Tourism Economics will measure the impact on taxes and the revenue to local industries in more detail. Mr. Orr also explained that the ROI study serves to educate the community about the impact of tourism.

Another committee member asked what type of work is being done to help and promote the ski industry. The legislator then inquired into the ideas that resulted from the tourism conference in Taos and noted that there is an opportunity for the DOT, the Tourism Department and Taos County to work together to build a comfort station along the road to Taos.

Secretary Jacobson stated that the governor has emphasized January as a winter sports month and that more ski-related advertising would occur as winter nears. She also explained that the Taos conference was used to roll out different templates and regional marketing programs to help explain how the New Mexico True advertising campaign would help northern New Mexico.

A committee member asked about whether the chile festival in Hatch is being promoted. Secretary Jacobson stated that Hatch will be highlighted more, especially on the web site and for drive-through travelers.

Another committee member asked whether the department is just targeting neighboring states or all of the United States. She also questioned how the numbers from the Catch the Kid campaign were quantified. Secretary Jacobson replied that the department is targeting just surrounding areas, but it plans to expand if its budget grows. Secretary Jacobson explained that the equation consists of multiplying the number of people participating by the average number of clues. The legislator suggested that a link be placed on the web site to assist entrepreneurs and asked how the business listings on the web site were derived. Secretary Jacobson turned the question over to Jordan Guenther from the Tourism Department, who noted that the listings were drawn from the previous web site. The committee member suggested that the department contact the chambers of commerce of the communities, because communities generally do not know what the department offers. The legislator finished by requesting that the Tourism Department return for the last meeting to make a presentation about the results of the ROI study.

### **Considering Children's Savings Accounts and Prize-Linked Savings Accounts**

Ona Porter, president and chief executive officer (CEO), Prosperity Works; Sharon Henderson, vice president of strategic initiatives, Prosperity Works; Nathaniel Martinez, co-owner, Hairway to Heaven; and Ruth Hoffman, representative, Lutheran Advocacy Ministry, introduced themselves to the committee.

Ms. Henderson provided the committee with an update on prize-linked savings accounts. Ms. Henderson talked about legislation that was introduced last year to link prizes to savings behavior and noted that it was unsuccessful because of issues with the New Mexico state gaming compact. She announced that several credit unions have been organizing a modified version of a save-to-win product under traditional raffle laws, which would not require further legislation. Ms. Henderson finished by avowing the success of prize-linked accounts in encouraging savings, pointing to the sharp increase in savings in Michigan.

Ms. Henderson went on to present an overview of the economic impact of individual development accounts (IDAs) in New Mexico. Ms. Henderson stated that Prosperity Works is involved with asset development and maintains an IDA network throughout the state. Ms. Henderson noted that jobs are being created all over the state and that around 60% of the account savers are from rural areas.

Mr. Martinez explained to the committee how Prosperity Works has helped him to expand his business. Mr. Martinez explained the process that he went through to receive matching funds, including creating a business plan and completing a training module.

Ms. Hoffman discussed the sporadic nature of state funding to IDAs and emphasized the positive impacts that would result from a \$500,000 state appropriation. Ms. Hoffman stated that this investment would lead to \$10.4 million in mortgage holdings, 210 new locally owned and locally managed jobs and 168 new graduates with an earning power of nearly \$1.75 million.

Ms. Porter outlined the new children's savings accounts initiative. Ms. Porter noted that asset poverty is far greater than income poverty, especially among low-income communities. She went on to assert that the gap in standardized test scores between low- and high-income students has increased by 40% and that half of children under five years of age in New Mexico are living in poverty. Ms. Porter said that children's savings accounts can solve some of these problems.

### **Questions**

A committee member asked if Prosperity Works targets certain areas and whether lower-income individuals contribute their own money to IDAs. Ms. Porter stated that it targets rural New Mexico because that is the hardest area to serve. She went on to explain that all of the participants in the program contribute their own money and then are matched four to one. The participants can use this money to buy a home, to start a business or to receive higher education.

Another committee member asked if the program is designed for rural New Mexico and in which counties the program currently operates. Ms. Henderson stated that the goal is to bring resources into rural areas before urban areas and that eligibility is 200% of the federal poverty level and lower. She also noted that Prosperity Works is trying to find more partners in areas with scarce resources. The legislator then asked whether the program targets post-secondary educational institutions or businesses and if the program helps farming and ranching industries. Ms. Henderson responded that the company's partners are usually nonprofit organizations that can offer IDAs and coach savers, and then the savers choose what they want to put their investment toward. Ms. Henderson finished by reporting that there are a number of savers in the agriculture industry.

A committee member inquired into how she could reach out to her constituents to let them know about the program and what kind of organizations can serve as partners. Ms. Porter stated that members should be conduits to those who would be good participants and that they may extend an invitation to host a community meeting. Ms. Porter also noted that there is a variety of partner organizations, but they are usually restricted to those that have a comprehensive approach to helping families.

Another committee member questioned where the matching funds came from. Ms. Porter stated that it comes from about \$1.5 million in state funds, \$3 million in federal investments, 14 banking partners and other community corporations and organizations.

A committee member cited her excitement about the new savings accounts, but she noted that a concern was how these savings accounts impacted families where grandparents were on disability and raising grandchildren. The legislator urged the committee members to read the pamphlet provided by Prosperity Works.

## **New Mexico Partnership: Attracting New Businesses to New Mexico**

Steve Vierck, president and CEO, New Mexico Partnership, introduced himself to the committee. He stated that the mission of the partnership is to expand existing businesses and encourage and assist the location of new industries and businesses in New Mexico.

Mr. Vierck stated that, as a state, New Mexico ranked forty-fourth between 2009 and 2011 in attracting larger employers. He noted that an improvement to the middle of the pack would add 10 large projects per year, with a projected total of 1,700 jobs and \$250 million in capital investment. Despite these statistics, Mr. Vierck pointed out that there are opportunities for New Mexico to compete, especially in relation to small and medium projects in rural areas. Mr. Vierck explained that New Mexico could capitalize on these opportunities by completing development and permitting more rapidly.

Mr. Vierck remarked that the most active types of projects for corporations in New Mexico include transportation and distribution, customer service and technical support, aerospace, food processing and energy. Mr. Vierck stated that New Mexico has a broad array of regional assets that can be used to attract business. He explained that New Mexico is a "value" location, whose competitive advantages include a bilingual work force, abundant energy resources, research and testing facilities, low property taxes and no inventory taxes, numerous tax credits and a strong Job Training Incentive Program (JTIP).

Mr. Vierck also reminded the committee of the perceived competitive disadvantages of doing business in New Mexico. These disadvantages include the lack of a trained and experienced work force in many communities, few existing buildings, a small population and market, a confusing tax system, lack of a closing fund and not being a right-to-work state.

Mr. Vierck noted that the New Mexico Partnership is committed to a public-private sector marketing approach to attract businesses. He summarized the partnership's success to date, which includes recruiting 42 companies, leading to the creation of over 12,000 jobs, 4,000 of which have been rural, and spurring over \$1 billion in capital investment. In addition, although the partnership's budget has decreased to just over \$600,000 in FY 2012, there have been nearly 1,000 jobs created.

Mr. Vierck finished by discussing the partnership's target industries, marketing strategy and marketing initiatives. Target industries include advanced manufacturing, aerospace and defense, technical support, digital media, energy and natural resources. Mr. Vierck went on to explain the five-factor marketing approach and new marketing initiatives, including face-to-face sales missions, improvement of the web site, direct mail, social media and increased presence at trade shows.

## **Questions**

A committee member asked Mr. Vierck to discuss what a closing fund is, whether other states have closing funds and whether those states have antidonation clauses in their constitutions. Mr. Vierck explained that a closing fund is used to contribute money toward projects that are considering entering the state and that a majority of states, even ones with antidonation clauses, have these funds. The legislator then inquired into how the partnership develops relationships with two-year colleges, noting that community colleges are flexible and able to offer a number of certifications to meet the needs of corporations. Mr. Vierck agreed that community colleges are essential and that training those schools with the skills businesses are seeking is important.

A committee member commended the partnership for doing a good job given its small budget. He noted that the biggest competitive disadvantage in the state is onerous state regulations. The legislator cited Construction Industries Division of the Regulation and Licensing Department (RLD) regulations as the biggest reason why companies build in west Texas rather than in New Mexico. Mr. Vierck replied that he has also heard this complaint from other areas near the Texas border and that construction prices are more expensive in New Mexico because of the additional regulatory cost.

Another committee member asked how much the partnership's budget has declined. Mr. Vierck noted that the budget peaked in FY 2008 at \$1.6 million and has declined to \$630,000 in FY 2012. The legislator recommended that at the last interim meeting, the committee look at legislation to increase the partnership's budget.

A committee member asked whether anyone from the RLD was involved in the economic development decisions made by the partnership. Mr. Vierck stated that he had not been in the job long enough to determine this, but that as a small state, New Mexico should be able to make licensing decisions more quickly.

Another committee member requested that the partnership provide a specific, tangible plan on what the legislature can do differently regarding regulations.

A committee member asked whether the years on the graph included in the handout were fiscal years or calendar years and stated that it would be helpful to see what types of jobs were created. Mr. Vierck replied that the years on the graph were fiscal years and that the numbers could be broken down further by region.

#### **Aiming for Consistency in the Rulemaking Process: Senate Bill 30 (2011) and House Bill 34 (2012)**

John Hyrum Martinez, state records administrator, introduced himself to the committee. Mr. Martinez stated that rules are written by state agencies to clarify implementing statutes passed by the legislature and noted that there are over 3,000 state rules covering a broad array of subject matters. He went on to explain that the State Rules Act (enacted in 1967) governs promulgation of these rules but does not address areas such as adjudication.

A committee member asked Mr. Martinez how agencies determine what standards to use when implementing rules. The legislator commented that when the legislature passes legislation that has enabling authority for agencies to promulgate rules, each agency seems to take its own approach. Mr. Martinez stated that New Mexico has exempted state agencies from the Administrative Procedures Act, and the result is that agencies follow different standards. He noted that some agencies have developed a procedure for promulgating rules, while other agencies continue to use an ad hoc process.

Mr. Martinez explained that New Mexico is different because the state does not have a functioning Administrative Procedures Act, which makes it difficult for the public to participate in rulemaking. He added that a number of bills have been introduced to clarify state administrative procedures, including SJM 7 in 2010. Mr. Martinez stated that New Mexico has 12 representatives on the Uniform Law Commission, which is involved in drafting the model State Administrative

Procedure Act. The Uniform Law Commission determined that the 1981 model act was inadequate and revised it in 2010 to make it shorter, more modular and consistent with federal case law.

Mr. Martinez asserted that although SJM 7 was not passed in 2010, a task force was established to look into making the process more consistent, understandable and open to the public and less burdensome for the legislature and agencies. He noted that the task force decided to amend the State Rules Act rather than push for an entirely new act. The task force recommended new promulgation steps to the legislature, including the addition of a regulatory agenda and preliminary outline, increased opportunities for other organizations to participate in drafting, emergency rulemaking, time limits for promulgating rules, procedural rules and the ability of the public to participate. Mr. Martinez added that the task force members worked together to draft Senate Bill 30 in 2011, which was also introduced as House Bill 34 in 2012, both of which failed to pass both houses. Mr. Martinez finished by addressing the discussion draft of a new bill, which has slight changes from the earlier versions but still incorporates the major changes suggested by the task force.

### **Questions**

A committee member commented that agencies are able to adopt regulations without legislative oversight and inquired into whether there is any provision in the Constitution of New Mexico that prohibits the legislature from removing rules or regulations over the authority of the agency. Mr. Martinez stated that the United States Supreme Court decision in *Immigration and Naturalization Service v. Chadha*, 462 U.S. 919 (1983), governs this situation, and that the legislature generally cannot go back and do away with agency decisions because of the necessity to maintain separation of powers. He did note, however, that there are a few states where the legislature can rescind executive rules and others where the legislature can review and hold up a rule. The committee member said that without the ability to rescind regulations, legislation must be written very strictly and technically so that an agency could not overstep its bounds. The legislator also noted that it would be beneficial to see a list of what the task force recommended. She then stated the need for legislators to know what regulations are coming down from the federal level. Mr. Martinez explained that when federal regulations are promulgated, states may have to pass their own regulations or may be able to incorporate the federal regulations by reference.

Another committee member added that when the legislature passes legislation, it seems that agencies are circumventing its intent. The legislator also noted that the discussion draft of the new bill contains a provision that requires agencies to submit rules to the LCS for distribution during the drafting process to the appropriate committees. The committee member also remarked that members should look at the new draft bill and make any suggestions so that Mr. Martinez could return at the end of the interim to make any changes and receive the committee's endorsement.

A committee member thanked the committee and Mr. Martinez for discussing this issue early in the interim session and expressed optimism that the bill would pass in the 60-day session.

### **Successes, Challenges and Legislative Priorities of the Economic Development Department**

Jonathan L. Barela, secretary, Economic Development Department (EDD), introduced himself and his staff to the committee.

Secretary Barela began by stating that the state is seeing positive macroeconomic indicators, including nine consecutive months of job growth, an unemployment rate below the national average

and strong growth in the transportation and extracting industries, and is ranked eighth in the nation in business growth potential. The secretary listed several businesses that were new or expanding into New Mexico in 2011 and 2012.

Secretary Barela went on to summarize the department's successes to the committee. First, the secretary asserted that the JTIP is one of the best economic development tools available. JTIP funded 30 projects and created over 1,000 jobs in FY 2012. Second, the secretary described the Office of Business Advocacy, which acts as a caseworker for small businesses. This program has a caseload of 132 businesses, has created 528 rural jobs and 86 urban jobs and has saved 204 rural jobs and 44 urban jobs. Third, Secretary Barela mentioned the EDD's New Mexico Film Division, which includes 38 total projects and accounts for \$155.2 million in direct spending. Fourth, the secretary documented the growth in New Mexico's international exports, noting that the state's growth rate is the third largest in the country. In addition, over 1,000 New Mexico businesses exported to 210 foreign markets. Fifth, Secretary Barela discussed the MainStreet Program, which spawned 103 new businesses, created 467 jobs and reinvested over \$9 million in the private sector, primarily in rural communities. Finally, the secretary stressed the importance of ensuring access to capital and mentioned a \$13 million federal grant from which the department will fund a small business initiative. He added that the new markets tax credit has been effective, creating over 1,200 jobs.

Secretary Barela continued by detailing six new department initiatives. First, the secretary emphasized the redesign of the state's data center. This data center is an important resource for businesses looking to relocate or expand into New Mexico because it contains centralized links to relevant web sites and other economic development tools. Second, Secretary Barela spoke about the state's eight target industries, including energy, aerospace and defense, logistics and transportation, digital media and technical support. Third, the secretary noted that the state is still heavily involved in the film industry and is looking to increase production recruitment and expand digital and emerging media and film tourism. Fourth, Secretary Barela mentioned the Rural Economic Development Council, which strives to identify sustainable industries for rural areas and to ensure rural participation in economic development incentive and training programs. Fifth, the secretary avowed continued success of the business incubator program, which in FY 2012 assisted 102 businesses and represented a strong ROI for the state. Last, Secretary Barela documented the department's community development efforts, including personal visits to all but two New Mexico counties. The secretary added that the department has reorganized tribal efforts around five regional liaisons and has created the nation's first Native American MainStreet.

Secretary Barela went on to discuss the seven main challenges facing the department. First, the state lacks a closing fund to recruit, retain or expand businesses to create jobs. Second, the secretary explained that there was a backlog of 17 communities seeking a MainStreet designation. Third, Secretary Barela outlined several financing issues, including the underutilization of improvement districts and lack of funding for certain programs. Fourth, the secretary cited infrastructure gaps in roads, broadband, rail, housing and water systems as a challenge for the state. Fifth, the secretary noted the regulatory impact on businesses. Sixth, Secretary Barela described the uneven labor supply, notably the full employment rate in the southeastern part of the state compared to higher unemployment rates elsewhere. He added that the department is working with community colleges to meet work force needs. Lastly, Secretary Barela commented that the biggest challenge would be the reduction in federal spending. The secretary stated that FY 2013 budget cuts would

lead to an estimated loss of 20,000 jobs in New Mexico and noted that further discretionary budget cuts are on the horizon.

Secretary Barela finished by pointing out that the department has an impressive ROI. In the last five years, the department assisted in the creation of 18,393 direct jobs with a payroll of \$912 million. The secretary explained that for every dollar invested in the department's activities, the companies and their employees returned \$2.16 to the state.

## **Questions**

A committee member asked if the department is engaged in any international trade activities in conjunction with the New Mexico Department of Agriculture and whether the trade numbers provided by the secretary include the New Mexico Department of Agriculture's activities. Secretary Barela stated that the EDD does some outreach with the New Mexico Department of Agriculture, particularly in the area of cattle, chile and pecans. He added that the numbers provided are from the United States Department of Commerce.

Another committee member inquired into the film tax credit as it relates to television series. He also questioned whether the film tax credit is expected to reach its cap. Secretary Barela explained that certain aspects of filming are more transitory than others and that television series are traditionally more permanent. The secretary noted that the department is trying to capitalize on the permanency of the film industry and that the \$50 million cap should not be reached.

A committee member wondered how the department chooses the films to receive the money if the \$50 million cap is reached. Secretary Barela responded that it is a first-in, first-out system, and that if a film misses out one year, its spot in line rolls over to the following year.

Another committee member commented that New Mexico should capitalize on the film industry and that the loss of jobs due to the federal decrease in spending could be replaced in part with film industry jobs. Secretary Barela reiterated that the job loss figures include highly trained and specialized jobs, and he agreed that it is important to keep them in the state. He further added that New Mexico should take advantage of line-item increases to certain programs.

A committee member asked why so few films are being made in Gallup and questioned whether it is because production companies have contracts that preclude them from traveling beyond 50 miles of the production. The legislator requested that the LCS take a look into why production companies have these travel restrictions and whether they can be dealt with administratively or just contractually. Secretary Barela explained that in at least one instance, a major production company wanted to be near the studios because of cost concerns and the availability of a trained work force. Secretary Barela also added that the department cannot mandate that the production companies shoot in certain locations. The committee member responded that some areas are not seeing any benefits and that, if that remains the case, there should be a discussion of incentive reductions. The member also stressed the need to have tax incentive evaluations and requested that the secretary present on the issue of the effectiveness of various tax credits. Another committee member interjected and commented that the Revenue Stabilization and Tax Policy Committee had a comprehensive list of New Mexico's tax credits and stated that the goal was to include sunset clauses in new tax incentives. Secretary Barela pointed out that there are over 350 tax credits, deductions and exemptions and that

only \$84 million was earmarked for economic development. The committee member reiterated that tax incentives within the department should be cleaned up.

Another committee member inquired into the prevalence of the logging industry and noted that there is a potential for an increase in logging. The secretary explained that timber is not exclusive to one area but is dispersed among the counties. He also stated that traditional Hispanic and Native American communities have faced difficult economic times because outside environmental interests have made it difficult for them to take advantage of natural resources to make a living.

A committee member commented that the legislature has sought a Tax Expenditures Act every year, but to no avail. The legislator also noted that SB 47 (2010) requires an inventory of economic development tax incentives and that this report should be provided to the committee by the end of the interim. Secretary Barela stated that he, too, wants to see the ROI of these tax credits but that there are issues with accessing tax records.

Another committee member asked whether there is a business incubator in Otero County and whether the department has considered a bill that would transfer federally owned public lands back to the state. The legislator commented that this reversion of land would increase the revenue of the state. Secretary Barela first noted that there is not a business incubator in Otero County, and he remarked that a government closer to the people functions better and that there should be a stop to federal encroachment on state and private lands.

A committee member requested that the department send the committee more detailed information regarding the jobs created by the Office of Business Advocacy. The legislator also requested that someone from the department present a more comprehensive report on the film industry, in particular noting the impacts of the changes to the film tax credits. Lastly, the committee member requested that someone from the department make a presentation about aid for small businesses at the Chama meeting. Secretary Barela stated that someone from his office would be at the meeting to discuss financing, micro-lending and other tools to help small businesses.

### **ERDC 2012 Work Plan**

Mr. Kovnat stated that he would discuss the endorsed legislation from the previous year, the committee calendar and the committee work plan.

Mr. Kovnat explained that the only endorsed legislation from the last year was SJM 20, which requested that the state make the energy industry a central component of the state's economic development plan. He noted that this legislation died in committee.

Mr. Kovnat informed the members of the committee that their packets contained an interim committee calendar, which was the most recent draft. Mr. Kovnat also asserted that the committee has an aggressive work plan and that the committee would ask the New Mexico Legislative Council for an additional two-day meeting in Albuquerque in October.

A committee member questioned whether it was possible to switch the Gallup and Truth or Consequences meetings. Upon a motion by Representative Rodella, the committee voted without

objection to approve the meeting schedule and locations with the change between the August and September meetings.

Mr. Kovnat proceeded to go through the work plan number by number, and the committee members made additions and retractions.

A committee member introduced a constituent who is the economic development coordinator in Gallup.

Upon a motion by Representative Rodella, the committee voted without objection to approve the work plan.

### **Adjournment**

There being no further business before the committee, the first meeting of the ERDC adjourned at 5:19 p.m.

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

**July 12-13, 2012  
Chama Elementary/Middle School Gymnasium  
Chama, NM**

The second meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, chair, on Thursday, July 12, 2012, at 10:19 a.m. in the Chama Elementary/Middle School Gymnasium in Chama, New Mexico.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Bernadette M. Sanchez, Vice Chair  
Sen. Mark Boitano (July 12)  
Rep. Ernest H. Chavez  
Sen. Mary Jane M. Garcia  
Sen. Clinton D. Harden, Jr.  
Rep. Yvette Herrell  
Sen. Richard C. Martinez  
Sen. David Ulibarri

**Absent**

Rep. Mary Helen Garcia  
Rep. Nate Gentry  
Rep. Dianne Miller Hamilton  
Rep. Patricia A. Lundstrom  
Sen. Howie C. Morales

**Advisory Members**

Sen. Rod Adair (July 13)  
Rep. George Dodge, Jr. (July 12)  
Rep. Sandra D. Jeff (July 12)  
Rep. James Roger Madalena (July 12)  
Rep. William "Bill" R. Rehm

Sen. Sue Wilson Beffort  
Sen. William F. Burt  
Rep. Zachary J. Cook  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Sen. George K. Munoz  
Rep. Andy Nuñez  
Sen. John Pinto  
Rep. Nick L. Salazar  
Sen. John M. Sapien  
Rep. Thomas C. Taylor  
Rep. Richard D. Vigil

(Attendance dates are noted for members who did not attend the entire meeting.)

**Staff**

Peter Kovnat, Legislative Council Service (LCS)  
Sean Sullivan, LCS  
Alex Tapia, LCS

**Guests**

The guest list is in the archived meeting file.

## **Handouts**

Copies of all handouts are in the archived meeting file.

## **Thursday, July 12**

### **Call to Order**

Representative Rodella called the meeting to order at 10:19 a.m. and welcomed the committee and members of the audience to the meeting. She then asked committee members to introduce themselves.

### **Welcoming Remarks**

Archie Vigil, mayor, Village of Chama, welcomed the committee members and thanked them for meeting in Chama. He noted that Chama's industry and infrastructure are developing to create a more attractive place to live and visit.

Mayor Vigil informed the committee of the major projects taking place in Chama. He explained that the most pressing issue facing the village is the development and construction of a new wastewater sewage plant. Mayor Vigil discussed the difficulty in financing this project, and he noted that the village has raised taxes to fund 45% of the project. He said that he will return to the legislature to seek more funds. Without this wastewater sewage plant, Mayor Vigil said the village will incur fines from the Environmental Protection Agency (EPA). He finished by discussing additional village projects, including refencing the water supply and improving roads.

### **Questions**

A committee member asked about the total cost of the wastewater sewage plant and whether the village has applied to the New Mexico Finance Authority (NMFA) for funding. Mayor Vigil stated that the wastewater sewage plant will cost roughly \$10 million to complete and that the increase in taxes has contributed toward this cost. Mayor Vigil explained that the village has not yet applied to the NMFA and that once the \$800,000 design phase is complete, the village will take this option into consideration.

A legislator initiated a discussion about the design of the new capital outlay process and how it will impact smaller communities like Chama. Another committee member noted that while the legislature should have a say in the development of this process, neither the house nor the senate has been asked to provide any input. The member emphasized that capital outlay money is vital to smaller communities and explained that local governments should work with legislators to fund community projects. The committee member stated that the necessary infrastructure needs to be in place in rural areas to attract and retain jobs.

Another committee member asked about the specific issues relating to the design and construction of a wastewater sewage plant. Mayor Vigil noted that the ammonia and aluminum content is keeping the current facility from meeting EPA specifications. He explained that the wastewater plant currently serves around 1,200 people but will need construction to allow for a capacity of 1,200 more residents to the south and west of the village. A legislator commented that the wastewater plant is a statewide issue and that the legislature needs to assist the village with funding, either through the NMFA or capital outlay.

A committee member requested information from the Water Trust Board to determine if it deals with wastewater process issues. Another legislator requested that there be a presentation to inform committee members on new discussions and recommendations regarding the capital outlay process. Mayor Vigil noted that he has been unsuccessful in his attempts to speak or meet with Governor Martinez on this issue.

Another committee member stated that there is no way the village will receive the needed \$10 million to complete the wastewater project solely through capital outlay. The legislator stressed, however, that the local legislators should play a large role in how capital outlay money is allocated within smaller communities.

### **Northern New Mexico College (NNMC): The Economic Benefit of the Institute on Northern New Mexico**

Ricky Serna, vice president for institutional advancement, NNMC, introduced himself to the committee. Mr. Serna provided the committee a historical overview of the college, from its inception to its designation as a four-year, degree-granting institution. He noted that while the college now offers baccalaureate degrees, it still offers two-year degrees and technical and vocational certificates. Mr. Serna stated that NNMC serves around 2,000 students per year and has met the federal benchmarks to be designated a Hispanic- and Native American-serving institution. Mr. Serna also discussed the college's state funding trends and athletics expansion.

Dr. Camilla Bustamante, dean, College of Community, Workforce and Career Technical Education, NNMC, introduced herself and discussed the two-pronged return on investment (ROI) study regarding NNMC's economic impact on the surrounding region. The first prong of the study was an investment analysis from a student, social and taxpayer perspective. Dr. Bustamante noted that the student data were taken from 2008-2011 in north central New Mexico. These data revealed that the total cost for students to go to school during this time period was \$31 million, while the benefits received from attending school were \$223 million. Dr. Bustamante explained that this benefit amount is derived from the increased earning power and cumulative effects of real estate and other asset purchases that college graduates enjoy. She asserted that the student ROI is 21.5%, indicating that an education at NNMC is well worth the cost. Dr. Bustamante also explained that because the educated traditionally have better health care, more savings and higher income, the state spends less on social services and experiences reduced unemployment and crime. According to the analysis, New Mexico will see avoided social costs amounting to \$1.7 million per year due to NNMC students. Lastly, from a taxpayer perspective, while state government allocated \$10.2 million to NNMC in fiscal year 2011, the rate of return is 13.2%. Dr. Bustamante said these figures show that the state is making a wise investment in NNMC.

Dr. Bustamante went on to explain the economic growth portion of the study. The analysis looks at the college operations, student and visitor spending and productivity effect to determine the net impact of the institution on the surrounding community. Dr. Bustamante stated that the north central New Mexico economy annually receives roughly \$11.7 million from college operations and approximately \$300,000 from non-local students and visitors. In addition, the added income attributable to the accumulation of NNMC skills in the work force amounts to \$165.8 million each year. In all, Dr. Bustamante reported that the average annual added income due to the activities of NNMC and its students is around \$177.7 million.

## Questions

A committee member asked about the relationship between NNMC and Los Alamos National Laboratory (LANL). Mr. Serna stated that the college works closely with LANL and that over the past two years, the college has received United States Department of Energy work force development funding. Mr. Serna also added that in preparation for LANL work force reductions, NNMC is working with a consortium of other colleges to address work force needs and provide job skills training. The legislator mentioned that in 2004, with LANL Foundation support, the legislature created a math and science academy, with the goal of providing teachers with best practices to teach students math and science.

Another committee member asked whether NNMC has looked into funding from the New Mexico Mortgage Finance Authority for student housing development. Mr. Serna explained that NNMC has difficulty improving its infrastructure because the college is unable to receive capital outlay funding. He added, however, that the college is pursuing all avenues to achieve better infrastructure, including seeking necessary funding for housing.

The legislator asked if the college is considering cutting certificate programs. Mr. Serna said no, and he stressed that NNMC is committed to providing associate, certificate, vocational and baccalaureate programs and ensuring continued funding for the math and science academy. Dr. Bustamante added that the college recently completed its strategic planning and that there has been discussion regarding the development of more work force pathways through certificate programs.

A committee member asked about school counseling programs offered by the college. Mr. Serna stated that NNMC partners with other colleges to offer substance abuse, social work and psychology programs. The legislator discussed the need to get people licensed in these areas and requested additional information about these programs.

Another committee member inquired into NNMC's student enrollment, specifically the number of Native American students. Mr. Serna stated that in the spring semester, there were just over 2,000 students enrolled in the college, 12% of whom were Native Americans. A legislator commented that NNMC has the highest Native American graduation rate in the state. The committee member explained that Native Americans in her district are experiencing reading and writing deficiencies, and she asked for specific suggestions regarding how to improve teaching methods. Mr. Serna pointed out that preservation of Native American culture and the development of trusting relationships with local pueblos are essential to successful Native American education.

Discussion then turned to the employment of faculty and staff, online class offerings and issues related to student loans. Mr. Serna indicated that there is a total of 48 full-time faculty, including a large increase in Ph.D. faculty. He mentioned, however, that the faculty salaries at NNMC are \$20,000 less annually than other four-year institutions. Mr. Serna went on to note that distance education classes are offered online and that a majority of the students qualify for full financial aid.

Another committee member asked whether there are any charter schools near NNMC and whether NNMC charters any schools. Mr. Serna stated that the most recent charter school in the area is McCurdy but added that NNMC does not charter any schools. The legislator commented that it is important to export NNMC innovations to charter schools.

The legislator then asked whether the college is discussing improving access to the lottery scholarship. Mr. Serna explained that many students who take advantage of the lottery scholarship choose to attend larger institutions, but because education at NNMC is less expensive, students attending NNMC on the lottery place less stress on the Lottery Tuition Fund.

A committee member reiterated that NNMC should not cut certificate programs and noted her concern about staffing levels and tuition increases. The member also requested information into whether out-of-state faculty coming to NNMC start at higher salaries and whether the audit issues surrounding the college have been solved.

### **How to Access State Money**

Therese Varela, director, Economic Development Division, Economic Development Department (EDD), introduced herself and listed the seven funding sources that she planned to detail for the committee.

First, Ms. Varela stated that one of the most effective funding tools for the EDD is the Job Training Incentive Program (JTIP). She explained that the JTIP is a program that reimburses employers with a portion of up to six months' wages for newly hired employees, as well as a portion of training costs. Ms. Varela went on to note the criteria that make both employers and trainees eligible for the JTIP. Ms. Varela concluded her discussion of the JTIP by providing an overview of the fiscal year 2011 report, when the JTIP funded 32 projects throughout the state (including nine rural projects), awarded \$4.6 million and created 1,015 jobs (184 in rural areas). She added that the fiscal year 2013 appropriation for the JTIP is \$7.9 million.

Ms. Varela continued by explaining the Step Up Program, which reimburses a portion of training costs for incumbent worker training. She pointed out that the program targets training that is specific to new technological changes within a company and that the goal is to upgrade the skills of existing employees. Ms. Varela noted that the program has been expanded from solely rural-focused to include small, urban companies with fewer than 50 employees.

Third, Ms. Varela detailed the finance programs offered by the EDD, particularly the Collateral Support Program and the new market tax credit (NMTC). Ms. Varela said that the Collateral Support Program is designed to provide capital to creditworthy businesses in order to create jobs. She explained that the program does this by enhancing the collateral position of a company, which allows the company to obtain loans. Ms. Varela went on to discuss the NMTC, which is open to projects with no less than \$5 million in capital investment and is focused on businesses in underserved areas.

The fourth funding avenue described by Ms. Varela is the Local Economic Development Act (LEDA)/capital outlay process. Ms. Varela informed the committee that there are 20 projects currently in the pipeline for LEDA/capital outlay funding, totaling \$160 million in requests, with job creation exceeding 850 jobs. Ms. Varela also mentioned the MainStreet capital outlay, which is funded through the LEDA process but is specific to main street and arts/culture districts.

Ms. Varela also discussed the numerous untapped funding sources. For example, she pointed out that only six communities across the state have adopted through referendum the local options gross receipts tax (LOGRT), which is a valuable financing vehicle for economic development

projects. In addition to the LOGRT, Ms. Varela listed other untapped resources, including special assessment districts, public improvement districts, business improvement districts (BIDs) and tax increment development districts.

Ms. Varela detailed the tax credits that are available for economic development and job creation. She briefly explained the angel investment, high-wage jobs, rural jobs, technology jobs, research and development small business and job mentorship tax credits. Ms. Varela noted that the specific operation of these tax credits is governed by statute and that many of the program eligibilities are tied to the JTIP eligibility.

Ms. Varela finished by explaining the gross receipts tax (GRT) deductions that are available. She stated that the GRT deduction for manufacturers and construction and film companies allows for a person to deduct the sale of certain property to these types of businesses from gross receipts.

### **Questions**

A committee member asked whether the EDD has initiated any joint economic development projects with Native American tribes. Ms. Varela noted that there are several ongoing projects in which the EDD is actively involved with tribes and added that the EDD has always had a Native American liaison on its staff. The legislator suggested that the EDD be more assertive in reaching out to these tribes regarding economic development projects.

Another legislator questioned whether the department has conducted a comprehensive study on the various tax credits offered by the state and expressed her desire to have a presentation of this report made to the committee during the interim. Wade Jackson, general counsel, EDD, stated that the tax expenditure report is in its final draft stage and will be completed by August. The committee member went on to express concern over reports that some employers are claiming the high-wage jobs tax credit for existing employees. Mr. Jackson noted that there are concerns relating to this job credit regarding the unpredictability of the budget for the credit and the exploitation of loopholes in the law. He added that legislation will be offered to close these loopholes.

A committee member inquired into the usage and success of BIDs. Antonette Vigil, financial development team, EDD, noted that there are not very many BIDs in operation and that a BID must receive city approval to become valid.

Another committee member asked what the EDD can do to help residents in small, rural areas start and develop businesses. She stressed that the EDD should not help purely urban areas and large companies, but rural areas as well. Ms. Varela explained that the EDD is focused on economic base jobs and that the EDD is unable to expand to all types of businesses because of limited resources. She noted, however, that the EDD has a staff that assists small businesses and that the JTIP has funded many businesses in rural areas. The legislator reiterated that the legislature should work with the EDD to find funding sources for these smaller businesses.

Another legislator invited ideas regarding how to spur economic development in rural areas and questioned whether an expansion of the MainStreet Program will accomplish this goal. Ms. Varela noted that there is \$1 million available for MainStreet funds, and that this money is bid out competitively to the MainStreet districts. She stated that additional funding will be required to expand the MainStreet Program.

A committee member questioned the EDD's involvement in funding Schott Solar and HP and asked why these contracts did not contain clawback provisions. Ms. Varela stated that the Schott Solar contract did not have a clawback provision, while the HP contract did. She went on to explain that Schott Solar received two separate, special appropriations directly from the legislature. Another committee member requested that, during the Albuquerque ERDC meeting, the committee receive a presentation on what went wrong with Schott Solar, including information on what incentives were given, why no clawback provision was included and the number of jobs impacted.

Another committee member emphasized the importance of the mining and extraction industry to the state budget. The legislator inquired into what the EDD is doing specifically to assist the mining and extraction industry.

### **Update on the New Mexico Oil and Gas Industry**

Karin Foster, executive director, Independent Petroleum Association of New Mexico, introduced herself and stressed the importance of the oil and natural gas industry to the state budget, noting that about 40% of the state budget comes from it.

Sherrie Merrow, external relations lead, Encana Natural Gas, Inc., introduced herself and explained that her company promotes natural gas as a transportation fuel.

Ms. Merrow emphasized that natural gas is an abundant and clean source of domestic energy. She noted that the known natural gas supply in North America is double today what experts believed was available in 2006. As far as natural gas solutions for transportation, Ms. Merrow explained that the main options are compressed natural gas (CNG) and liquified natural gas (LNG) and that, currently, there are 1,015 CNG and 52 LNG stations in the United States. In addition, CNG consistently boasts the lowest retail fuel price. Ms. Merrow further stated that there are already a number of vehicle categories that utilize natural gas and that there are opportunities for natural gas fuel consumption in light duty vehicles.

Ms. Merrow then discussed four benefits of using natural gas as a transportation fuel. First, there are economic benefits to drivers because natural gas is cheaper than gasoline and diesel. Also, counties and cities experience economic benefits through increased severance and other extraction taxes. Second, Ms. Merrow noted that a social benefit is increased job opportunities in areas with concentrated supplies of natural gas, such as New Mexico. Third, Ms. Merrow pointed out the environmental benefits, stating that natural gas is 25% to 30% cleaner than gasoline. Last, there are tangible energy security benefits, because the 32 states that produce natural gas allow the U.S. to reduce dependence on foreign oil.

Ms. Merrow detailed the economic impact of natural gas on New Mexico. She said that New Mexico is the leading natural gas producing state in the U.S., accounting for 10% of the country's production. She added that the natural gas industry in the state accounts for 46,000 jobs, \$3.5 billion in economic output and \$4.3 billion in direct value. Ms. Merrow also discussed the New Mexico Natural Gas Vehicle (NGV) Coalition, which was formed to advance natural gas infrastructure and vehicle growth in the state. In New Mexico, there are nine existing CNG stations and two LNG stations, as well as three planned CNG stations.

The discussion then turned to what types of policies and legislation are used throughout the U.S. to encourage or require utilization of NGVs. Ms. Merrow briefly explained that some possibilities are a CNG/LNG fuel tax incentive, vehicle purchase/conversion funding, infrastructure funding and/or fleet purchase requirements. In addition to an NGV policy, New Mexico has some NGV-related legislation and incentives. Ms. Merrow explained that state incentives include alternative fuel vehicle fueling infrastructure grants and fuel tax exemptions, and current legislation governs natural gas fuel rate reduction and infrastructure maintenance and alternative fuel vehicle and hybrid electric vehicle acquisition requirements.

Ms. Merrow continued by discussing the NGV memorandum of understanding (MOU) among several states, including New Mexico, which encourages the automotive industry to provide NGV options. She noted that the U.S. market is responding, with auto manufacturers beginning to unveil light duty and heavy duty CNG vehicle options.

Dan Genovese, NGV market development manager, Chesapeake Energy, introduced himself and discussed Chesapeake Energy's operating areas, including the Permian Basin in southeastern New Mexico. Mr. Genovese explained that natural gas is a low-carbon fuel and that NGVs reduce greenhouse gases 20% to 29%. He also stated that CNG's gallon equivalency is significantly cheaper than traditional gasoline, resulting in natural gas being \$2.00 cheaper than an equivalent amount of gasoline for vehicle transportation. He emphasized the price stability of CNG, noting that if the cost of natural gas were to double, the price at the pump would not respond similarly, which is untrue of gasoline.

Mr. Genovese explained that the goal of Chesapeake Energy is to reduce greenhouse gases, lower fleet operating costs and promote natural gas as a clean, affordable and abundant alternative motor fuel throughout New Mexico and the U.S. He discussed the benefits of converting fleets to NGVs and noted that many companies have already made this conversion, including Coca-Cola, UPS and Verizon.

Mr. Genovese stated that Chesapeake Energy is partnering with retailers around the country to improve infrastructure in order to make NGV a feasible alternative. He noted that it is most efficient to add CNG infrastructure to existing convenience stores and summarized that location, access and reputable operators with clean facilities are the traits that make a site a good CNG candidate. Mr. Genovese concluded by discussing Chesapeake Energy's action plan for the future, including partnering to build CNG refueling stations and equipment, working with car and truck manufacturers and working on fleet conversions.

Jason Sandel, executive vice president, Aztec Well, introduced himself to the committee and provided a history of the Aztec Well family of companies. Mr. Sandel noted the economic impact of natural gas in New Mexico, including over 46,000 total jobs and a total investment of \$7.4 billion, accounting for 5.4% of the total state employment and 9.3% of the total state economy, respectively.

Mr. Sandel detailed the company's operations both prior to the economic crisis and currently. Mr. Sandel said that prior to the 2008 economic downturn, the Aztec Well family of companies maintained 13 drilling rigs and 33 well-serving units and was at 100% utilization for 10 straight years. He explained that when the economic crisis caught up with energy prices, the company experienced an immediate 75% shutdown of equipment in the San Juan Basin, reducing the jobs in

the area from 750 to fewer than 225. Mr. Sandel also noted the decrease of GRT paid to counties or cities from drilling revenues.

Mr. Sandel emphasized the impact that natural gas operations has on local jobs. For each site, he explained that there are 30 onsite jobs with 10 associated field jobs and 10 office support jobs. Mr. Sandel explained that every time a site has to be closed, it results in a reduction of \$3.75 million in direct local wages. He stressed that there is significant local and statewide value in drilling operations that other states are doing a better job of attracting.

Mr. Sandel finished by providing the committee two recommendations on how to better attract natural gas operations and jobs to New Mexico. First, he noted that the legislature should codify the governor's MOU pertaining to NGV purchases, essentially mandating that a certain percentage of new government vehicles be fueled with natural gas. Second, Mr. Sandel proposed that the legislature use the nonrecurring general fund money that is available because of lower oil prices than estimated to fund a capital loan program to build natural gas infrastructure such as fueling stations and power plants and fund fleet vehicle conversions.

Ms. Foster concluded by noting that Shell is interested in operating in an eight-county region in eastern New Mexico but that the venture is in jeopardy because of a moratorium on oil and natural gas drilling in two counties.

Ms. Foster aired her support for codifying the MOU and discussed the possibility of supporting a bill to convert state vehicles to natural gas.

## **Questions**

A committee member asked why the natural gas industry is not taking off in New Mexico despite its abundant supply. Mr. Genovese stated that the technology is present, but there are cost issues associated with refueling. Ms. Merrow added that there are high front-end costs to convert a vehicle to natural gas or to purchase an NGV. Despite CNG being cheaper at the pump, the purchase price of the vehicle is more expensive.

A legislator expressed concern relating to natural gas refueling certification and regulatory hurdles from the Construction Industries Division (CID) of the Regulation and Licensing Department. He noted that there is a regulatory infrastructure that needs to be created in the executive branch to support this industry and posited that two-year colleges could develop programs to assist in this certification. Ms. Foster acknowledged that state inspectors at the CID are currently untrained in how to regulate natural gas refueling stations.

Discussion then turned to natural gas conversion opportunities in municipal fleets. A committee member noted that school buses are good candidates for conversion, because their fuel costs are high and a refueling station could be placed at the depot. Ms. Merrow noted that there is a bill in Wyoming in which the state would provide matching grant money to those schools that convert their bus fleet to CNG.

Another committee member asked about the biggest challenges facing the natural gas industry in New Mexico. Ms. Merrow stated that the cost for converting a gasoline vehicle to an NGV is

expensive. Mr. Sandel explained that there is a lack of infrastructure available in the state to refuel NGVs.

### **New Mexico First**

J.D. Bullington, registered lobbyist, J.D. Bullington Government Relations, LLC, introduced Heather Balas to the committee and gave a brief overview of New Mexico First. Ms. Balas, president and executive director, New Mexico First, noted that New Mexico First is a nonpartisan public policy organization that builds consensus among residents and provides recommendations to policymakers. She stated that her presentation would center around the N.M. Progress Report, which is a snapshot of the state's status in education, energy, health and the economy, and a recent town hall meeting that produced a platform of 14 recommendations.

Ms. Balas said the stakeholders at the town hall meeting provided education-related recommendations based on two indicators. The first indicator was that the percentage of New Mexico fourth graders proficient in reading is much lower than other states. Ways to address this issue include researching other states to determine how they improved education statistics, incentivizing teachers to learn and employ best teaching practices and strengthening the integration of educational resources from outside the classroom. Ms. Balas noted that the second education indicator was that New Mexico has very low college graduation rates. Recommendations to improve these numbers include restructuring work force education systems to eliminate duplication among government agencies, using broadband and distance learning to improve access, using skill-based short courses to qualify people for specific jobs identified by industries and requiring ongoing training for higher education faculty.

Ms. Balas addressed the town hall's two main recommendations relating to the economy. First, the town hall participants recommend that New Mexico grow its existing industries. Steps to accomplish this goal include setting tax rates for economic base industries so that overall rates are lower than surrounding states, branding products made or grown in New Mexico, growing tourism and reviewing regulations that impact economic base industries. Ms. Balas explained that the second main recommendation deals with creating fair tax policies. Participants indicated that the state should develop a fair and equitable tax system, evaluate incentives and exemptions, reduce the general rate to remain revenue-neutral and, if tax increases are necessary, to implement them in a simple and broad-based way.

Discussion was then held concerning the town hall's recommendations relating to energy and water. Ms. Balas stated that the main recommendation related to energy is to develop a comprehensive, bipartisan and statewide energy plan, which would include all conventional and renewable energy sources. A similar suggestion was offered for the state's water policy, as town hall members proposed an update to existing state and regional water plans and the development of a comprehensive, statewide water strategy for surface and ground water.

Ms. Balas concluded by focusing on health issues. The first health indicator studied by the town hall members was the number of health care providers per 100,000 people. Participants recommend that the number of licensed health care professionals in New Mexico be increased and that all licensed practitioners should be enabled to receive Medicaid reimbursement. Ms. Balas stated that the second health indicator was the number of drug and alcohol deaths per 100,000 people. Recommendations in this area include shifting substance abuse and prevention programs from adult

driven to more peer-to-peer driven in K-12 schools and colleges and to emphasize preventive care in all health care plans.

### **Questions**

A committee member asked which energy stakeholders are involved. Ms. Balas noted that the stakeholders are all over the map, including both conventional and renewable energy producers. The legislator stressed the importance of utilizing the existing energy resources in New Mexico and requested a list of the specific stakeholders who participated in the energy and economic discussions.

Another committee member asked if there were any recommendations made at the town hall regarding absenteeism in school. Ms. Balas stated that there were no specific recommendations related to truancy, but rather a discussion on education reform in general. The member requested that Ms. Balas forward any content relating to truancy from previous education-based town hall meetings.

A legislator questioned the support at the town hall meeting for early childhood education programs. Ms. Balas noted that there was no discussion or endorsement of specific bills but that the participants agreed that there should be an alignment of early childhood education. There were concerns from other town hall members relating to the integration between educational institutions dealing with early childhood education.

Another committee member commented that none of the recommendations stemming from legislative-created task forces is able to be sold to the whole legislature and wondered how New Mexico First was able to sell its recommendations. Ms. Balas stated that New Mexico First believes in the wisdom of the masses and that a diversity of perspectives helps inform the organization's policy proposals. Also, she noted that town halls are the voices of the constituents, to whom legislators are more responsive.

### **Recess**

The committee recessed for the day at 4:30 p.m.

### **Friday, July 13**

#### **Call to Order**

Representative Rodella called the meeting back to order at 9:56 a.m. She introduced Scott Flury, who works in the marketing department at the Apache Nugget Corporation in the Jicarilla Apache Nation.

#### **Discussion of the Return of Public Lands Act**

Representative Herrell initiated a discussion regarding the return of federally controlled public lands back to state control. She noted that Utah recently passed a law to transfer federally managed public lands back to state control and urged New Mexico to consider a similar proposal.

Representative Herrell explained that the federal government made certain promises to states at statehood regarding their management over public lands and that these promises have been at issue as early as 1828. She pointed to North Dakota as an example of how states are better able to manage their public lands, noting that North Dakota uses the revenue from public land management to fund its education system. Representative Herrell posited that if federal lands were returned to New

Mexico, the revenue generated from their management would allow the state to reach the national average of per pupil funding, as well as meet other state needs.

Representative Herrell also pointed out that 36.4% of New Mexico's budget comes from the federal government and that this percentage will likely decrease as the federal government is forced to face persistent deficits and national debt. She played a video clip of Erskine Bowles stating the severity of the budget crisis and quoting former comptroller general David Walker in support of the proposition that the amount of money in state budgets derived from the federal government will dry up as these fiscal issues are addressed.

Discussion then turned to the ability of the State of New Mexico to manage the land currently managed by the federal government. Representative Herrell stated that the federal government collects royalties, rent and bonuses on minerals severed from federal lands and that about half of these revenues are distributed to the states. In fiscal year 2011, New Mexico received only \$411.8 million in mineral extraction royalties from the federal government. Representative Herrell explained that if federal land is transferred back to New Mexico, the state will need to find a way to manage that land through a private group, counties, a public lands commission or some other feasible alternative. Representative Herrell emphasized that the purpose of returning federal lands back to the states is not simply to sell the lands, and she acknowledged that there are activities such as hunting and fishing tied to these lands. Representative Herrell also mentioned that a bill to transfer lands back to the state will not impact Indian land.

Representative Herrell pointed out several common criticisms of returning federally managed public lands back to state control. She noted that detractors: 1) view the transfer of public lands to be unconstitutional; 2) assert that states disclaimed title to these lands upon statehood; and 3) believe that states will abuse or inadequately manage the lands. Representative Herrell pointed out relevant constitutional clauses, U.S. Supreme Court opinions and practical experience in Utah to support the conclusion that transferring federally managed lands back to state control is both constitutional and feasible. Representative Herrell finished by emphasizing that the state has the resources to manage its public lands and a bipartisan bill should be considered to accomplish this goal. She noted that questions remain about the precise language of a bill, but that a discussion of legislation similar to the Utah model should begin to take place.

## **Questions**

Committee members inquired into how a transfer of public lands to state control will impact land grants. Legislators questioned whether this return of lands will revert back to land grant owners and thus not have the stated goal of increasing state revenue. Several committee members suggested that this proposal be discussed before the Land Grant Committee.

A committee member aired support for the concept of transferring public lands from federal to state management but stressed that the issue is not about ownership of land, but management of public lands. The legislator noted that the state could do a better job than the federal government at managing public lands.

Another committee member questioned whether Utah was the only state to consider this measure. Representative Herrell explained that while Utah was the only state to pass a public lands bill into law, Arizona passed a bill that was vetoed by the governor because of language involving the

sale of public lands. She noted that other states are also currently working on proposals. Representative Herrell stated that while the Utah model would be used, stakeholders around the state should come together to craft a bill best suited to New Mexico's needs.

A committee member reiterated the need for this proposal to be brought before the Land Grant Committee. The legislator also stated that there will need to be a discussion of whether the federal government will relinquish control over the public lands, even if a bill is passed.

### **Adjournment**

Announcement was made regarding a tour of the Cumbres and Toltec Scenic Railroad immediately after the meeting. There being no further business before the committee, the second meeting of the ERDC adjourned at 10:45 a.m.

### **Cumbres & Toltec Scenic Railroad Presentation and Tour**

Committee members and staff toured the Cumbres & Toltec Scenic Railroad.

**MINUTES  
of the  
THIRD MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**August 16-17, 2012  
Truth or Consequences, New Mexico**

The third meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, chair, on August 16, 2012 at 10:06 a.m. at the Ralph Edwards Auditorium at the Truth or Consequences Civic Center.

**Present**

Representative Debbie A. Rodella, Chair  
(7/16)  
Sen. Bernadette M. Sanchez, Vice Chair  
Sen. Mark Boitano (7/16)  
Rep. Ernest H. Chavez  
Rep. Mary Helen Garcia (7/16)  
Sen. Mary Jane M. Garcia  
Rep. Dianne Miller Hamilton (7/16)  
Sen. Clinton D. Harden, Jr. (7/16)  
Rep. Yvette Herrell (7/16)  
Sen. Richard C. Martinez (7/16)  
Sen. Howie C. Morales (7/16)  
Sen. David Ulibarri

**Advisory Members**

Sen. Rod Adair (7/16)  
Rep. Sandra D. Jeff (7/16)  
Rep. Andy Nuñez (7/16)  
Sen. John Pinto

**Absent**

Rep. Nate Gentry  
Rep. Patricia A. Lundstrom

Sen. Sue Wilson Beffort  
Sen. William F. Burt  
Rep. Zachary J. Cook  
Rep. George Dodge, Jr.  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Sen. George K. Munoz  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Sen. John M. Sapien  
Rep. Thomas C. Taylor  
Rep. Richard D. Vigil

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

**Staff**

Peter Kovnat, Legislative Council Service (LCS)  
Cassandra Jones, LCS

**Guests**

The guest list is in the meeting file.

## **Handouts**

Handouts and other written testimony are in the meeting file.

## **Thursday, August 16**

Members of the committee introduced themselves.

## **Welcoming Remarks**

John Mulcahy, mayor of Truth or Consequences, told the committee that Truth or Consequences has a shortage of high-wage jobs and that often children move away from Truth or Consequences as young adults. Truth or Consequences residents have a very low median income. The spaceport, located near Truth or Consequences, was appropriated \$209 million, and that has helped, and will continue to help, with economic development in Truth or Consequences. The Copper Flat mining project also presents an economic opportunity for Truth or Consequences.

Mayor Mulcahy stressed the importance of continued support for the spaceport. Mayor Mulcahy emphasized the reasons that make New Mexico's spaceport attractive to potential tenants. Members of the committee discussed the spaceport, the informed-consent legislation for the spaceport and local aerospace engineering programs.

## **The Copper Flat Project: Copper Mining and Economic Development in Sierra County**

Ann Carpenter, project director for the Copper Flat Mine, told the committee that the Copper Flat Mine team has more than 150 years of experience. Ms. Carpenter briefly described the roles of several key members of the mining project and their experience. The permit boundary for the mine encompasses 2,200 acres. It is anticipated that the project development will disturb approximately 1,200 acres of that allotment. Currently, confirmatory drilling is under way. Ms. Carpenter told the committee that a recent study illustrates a robust economic impact on New Mexico. The mine is anticipated to have a life of approximately 12 years. Ms. Carpenter stressed the importance of working with local communities. It is anticipated that the operational mine will generate approximately 250 jobs. Before the mine becomes operational, mine construction should generate 400 to 500 jobs. Jobs created by the mine will be high paying and varied. Ms. Carpenter stressed the mining company's commitment to environmental stewardship. The mining company has initiated a reclamation working group that involves interested parties in the community. The mining company has also initiated a sycamore tree study. The mining company is in the process of finalizing water studies, including quality and water quantity.

In response to questions from committee members, Ms. Carpenter stated that the price of copper has recently been approximately \$3.38 per pound. For the mine to be profitable, copper must be valued at around \$2.50 per pound. While copper is the mine's primary interest, other ores, including gold and silver, will also be mined. Ms. Carpenter discussed the complexity of the mining permit process. Ms. Carpenter emphasized the importance of skilled labor and told the committee that the company is working with universities and local community colleges to recruit a highly trained work force. The mining company is also looking at ways to recruit veterans.

## **Approval of Minutes**

Upon a motion by Senator Sanchez, seconded by Senator Garcia, the committee voted unanimously to approve the minutes of the first and second meetings of the ERDC.

### **Updates on the MainStreet Program**

Linda DeMarino, president of the Truth or Consequences MainStreet Program, welcomed the committee to the community. Ms. DeMarino told the committee that Truth or Consequences applied for the MainStreet Program and was accepted in 2009. Ms. DeMarino emphasized the role that MainStreet played in the development of several businesses and the guidance that was offered by the program. Volunteers have helped to repair various buildings in the community and have painted and made other superficial changes to make certain buildings more appealing. The program also developed community events, such as an old-fashioned Christmas event, which had over 1,000 attendees in 2011. The town also hosts a hot springs festival each year.

Mark Lake, director of the Tucumcari MainStreet Program and the chair of the New Mexico Coalition of MainStreet Communities (NMCMSC), told the committee that as a result of the MainStreet Program, there have been 670 new businesses in New Mexico, 107 business expansions, 763 building rehabilitations, over \$82 million in private sector reinvestment, over \$42 million in new building construction, 2,998 new jobs and over 118,000 volunteer hours donated. Mr. Lake told the committee that because of some of the national MainStreet Program standards, it is sometimes difficult for a community with a population under 5,000 to participate in the program. Mr. Lake recommended the adoption of an amendment to the MainStreet Act to create a new program called "Frontier Communities" that would make allowances for a program similar to MainStreet but designed specifically for a community with a population under 5,000. Mr. Lake also requested that the committee consider a special appropriation of \$100,000 to fund an initial pilot program for four frontier communities.

Amy Barnhart, director of the Carlsbad MainStreet Program and treasurer of the NMCMSC, told the committee that capital outlay appropriations have made several projects possible in Carlsbad, including a major road reconstruction, the Wayfinding systems, street furniture and the first phase of a renovation of the Arts Park and Civic Amphitheater. Ms. Barnhart told the committee that the MainStreet Program helped individuals bring in private sector investment to historic buildings. She stressed that revitalization of small towns and villages, particularly in rural areas, is vital for the health of local economies. Ms. Barnhart requested that the ERDC consider endorsing legislation that would appropriate \$5 million in capital outlay for MainStreet communities in 2013. She told the committee that over \$70 million is needed to make capital and infrastructure improvements that will build private sector confidence to invest in commercial buildings and businesses in New Mexico. Ms. Barnhart also requested that the legislature consider using community development block grant (CDBG) funds for economic development. Ms. Barnhart requested that the committee review and research state set-asides for CDBG funds and recommend a 25% set-aside of those funds for community economic development projects, including the MainStreet Program. She also requested that the committee support an amendment to the MainStreet Act that would make commercial property within MainStreet districts eligible for a doubling of the state historic tax credits.

Cynthia Spray, director of the Taos Arts and Cultural District (ACD), told the committee that the statewide ACD Program's first phase has been strong due to interagency collaboration among the Tourism Department, the Cultural Affairs Department and the Economic Development Department (EDD), as well as outside partners such as the McCune Foundation and the New Mexico Humanities Council. There are six communities currently participating in the program: Las Vegas, Silver City,

Los Alamos, Downtown Albuquerque, Raton and Taos. Four of the communities have municipally adopted master plans that prioritize economic development projects. The other two are expected to have master plans adopted by the spring of 2013. ACD communities have been creating and implementing signature events and providing business support to cultural entrepreneurs and artists. There are 13 communities on a waiting list to apply for the ACD Program but no funding to allow them to do so. Ms. Spray requested that the ERDC consider endorsing an appropriation of \$100,000 to the EDD in order to bring in three new ACDs. Ms. Spray also requested that the committee consider endorsing legislation that would give \$1 million of capital outlay to the Arts and Cultural District Fund. Ms. Spray told the committee that such legislation was introduced in 2009 and 2011 but failed to pass. The legislation clarifies language in the Arts and Cultural District Act. Ms. Spray requested that the committee consider endorsing similar legislation for the 2013 session.

A member of the committee requested that the MainStreet Program provide spreadsheets with prioritized capital outlay needs. Members of the committee discussed the positive contribution that the MainStreet Program has made to small communities and the importance of using state funds to assist communities with drawing in private investments. Members of the committee asked questions regarding the MainStreet application process. In response, the presenters told the committee that the application is over 36 pages long and complex. In response to questions from committee members, Ms. DeMarino clarified that volunteer hours are not required for businesses participating in the MainStreet Program. Committee members requested that the presenters provide a list of requested appropriations and legislation to LCS staff.

### **Capital Outlay Reform White Paper**

Hubert Quintana, executive director of the Southeastern New Mexico Development District, told the committee that the New Mexico Association of Regional Councils (NewMARC) is composed of seven regional planning councils that were formed by the state and federal governments and that are owned and empowered by local governments. The councils plan, research, advise, offer technical assistance, coach, problem-solve and act as public servants on behalf of governmental members. The councils are public entities that engage and collaborate with private communities. Mr. Quintana told the committee that the councils of governments (COGs) are involved in almost every aspect of the capital outlay process, including assisting local governments with infrastructure capital improvement plans (ICIPs) and providing them with technical assistance as well as training, programs and preparation. COGs develop a comprehensive resource guide to help state and local leaders prepare for the capital outlay process.

Mr. Quintana recommended that the legislature pass a bill or that the Department of Finance and Administration (DFA) create new rules that would strengthen the capital outlay process by creating definitions and identifying statewide goals and priorities. Mr. Quintana also recommended that the legislature set aside 10% of capital outlay funding for project-specific planning available to eligible entities to ensure that projects are feasible, cost-effective, appropriate and essential. Mr. Quintana stated that the DFA should commission COGs to work with regional legislators to develop a hearing process to consider proposed capital outlay projects and should encourage COGs to hold regional training sessions for local governments. Mr. Quintana also recommended that the legislature require that all projects be listed in a community's ICIP; that readiness for funding should be considered as part of the capital outlay process; that funding sufficiency and leveraging should be considered as part of the capital outlay process; that there be a cap on the number of times funding for a project can be reauthorized; and that the process for payment of capital outlay money should be standardized.

Mr. Quintana suggested that the committee consider endorsing legislation that would provide for COGs to play a more integral part in the capital outlay process, including requiring COGs to assess and prioritize proposed capital outlay projects in each region based on a variety of criteria and provide a report to legislators representing each region. Mr. Quintana stressed that this process would not place any requirements on certain projects or legislators, but instead it would provide more information.

Jay Armijo, executive director of the South Central COG, stressed the importance of the vetting process and the necessity of the proposed prioritization system. Several members of the committee relayed their positive experiences while working with the COGs in their regions and expressed support for the proposed prioritization system. Members of the committee stressed the importance of ensuring that small communities are not overlooked in the capital outlay process. Some committee members asked questions about specific capital outlay projects in their regions. The presenters stressed the importance of providing legislators as much information as possible about potential capital outlay projects before and during each legislative session and reiterated the ways in which COGs can assist them.

### **Development of Pecan Industry and its Economic Impact**

Richard Heerema, extension pecan specialist at the Cooperative Extension Service at New Mexico State University (NMSU), told the committee that pecans have been in New Mexico since the late 1800s. In the 1970s, pecan acreage in the state began to increase and has continued to grow over the years. In 2011, New Mexico produced over 61 million pounds of pecans, which was approximately 20% of the pecans grown in the United States. The extension service holds growers' conferences, short courses and workshops to assist pecan growers. Each year, the extension service has county field days to provide workshops in various counties. The extension service also provides industry news on its web site as well as guidebooks and publications.

Brad Lewis, research entomologist at the Agricultural Experiment Station at NMSU, told the committee that there are two distinct pecan production areas in the United States. The areas differ with respect to soil, irrigation and yield expectation, as well as several other factors. The western region, which includes New Mexico, is known for higher farming inputs, higher yields, higher quality and higher nut prices. NMSU is the primary pecan research institution for the western states. NMSU supports applied and basic pecan research. Applied research focuses on specific research while basic research is directed at understanding fundamental principles related to the development of solutions to industry problems. NMSU also works to eradicate and prevent pecan weevil infestation. Pecan weevils are established in all pecan states except New Mexico, Arizona and California. Pecan weevil establishment in New Mexico would result in revenue loss, increased insecticide applications, loss of nut quality, increased processing costs and increased export issues.

David Lucero, director of the Marketing and Development Division of the New Mexico Department of Agriculture (NMDA), told the committee that the NMDA has marketed pecans for approximately 25 years. Initially, the pecans were marketed mostly to the food service industry. The United States produces approximately 80% of the world's pecan supply. The average price for pecans in the United States is \$1.12 per pound. The average price of New Mexico pecans is \$1.31 per pound. In the past, pecans have been sold to shellers, but exportation has created an alternative buying source. New Mexico exported 15 million pounds of pecans to China in 2008, nine million pounds in 2009 and 3.5 million pounds in 2012. In 2008, the price of New Mexico pecans was \$1.45; in 2009, it was \$1.76; and in 2010, it was \$2.83. Since 2007, the NMDA has utilized state funds to

attend trade shows, conduct trade missions and develop educational and promotional materials in nine international venues. The U.S. Pecan Export Council created a unified pecan industry in 2011, which has allowed New Mexico to leverage federal funds. Mr. Lucero stressed the importance of harvest timing in pecan exportation to China because pecans are often sold as a treat during the Chinese New Year celebration. Target export markets include India, Turkey, Brazil and others.

Committee members discussed the pecan industry in New Mexico. In response to questions from members of the committee, the presenters provided answers regarding pecan irrigation and water rights. The presenters told the committee that it takes approximately the same amount of water to grow pecans as alfalfa.

### **The Economic Impact of NMSU**

Dr. Jim Peach, regents professor of the Department of Economics and International Business at NMSU, told the committee that the economic impact of a university is measured based on several sources. Universities are large purchasers of goods and services, spend money on construction and bring student as well as staff and faculty expenditures to a specific area. NMSU conducted a study of the economic impact of the entire NMSU system, including its five campuses, agricultural services, science stations and various other operations throughout the state. Expenditures that originate within the state, including appropriations made by the legislature and tuition paid to the university by in-state students, were not included in the calculation of NMSU's economic impact. The study concluded that NMSU has had a great impact on New Mexico, including 1,897 additional individuals living in the state; \$902.4 million in gross domestic product; \$809.8 million in total personal income; \$731.5 million in disposable personal income; \$65.8 million in state tax revenue; and 9,558 jobs. Dr. Peach stressed that economic impact studies from various institutions are likely to be conducted differently, so comparisons between studies may not present an actual reflection of their comparative economic impacts.

### **Update on Spaceport America**

Christine Anderson, executive director of the Spaceport Authority, told the committee that Spaceport America offers the world an invitation to space. The spaceport plans to have activities that are space-themed for families and students. Spaceport customers include horizontal and vertical launch customers. The spaceport has had 15 launches, all vertical. The Spaceport Authority estimates that the spaceport will attract 200,000 tourists a year once Virgin Galactic begins its flights. The spaceport was built in a way that was respectful of the environment and is energy-conscious. Virgin Galactic will have a rocket that carries six passengers as well as two pilots. The operations center will eventually house staff and operational contractors as well as a communications tower and an automated weather-observing system. The runway is currently 10,000 feet long and 200 feet wide, but it will be extended another 2,000 feet.

The spaceport should bring in enough revenue by 2014 to be self-sufficient. The spaceport should be able to begin commercial operations by late 2013. The spaceport has created over 1,000 jobs and expects to create approximately 100 more in the next six months. Ms. Anderson stressed the importance of passing legislation that would allow commercial passengers to sign a waiver that allows them to assume the risks associated with space flight. New Mexico statute currently allows passengers to sign waivers that hold operators harmless, but it does not protect manufacturers or suppliers, and it sunsets in 2018. Colorado, Florida, Texas and Virginia have legislation that protects operators, manufacturers and suppliers. Texas law also protects directors, shareholders and other

interested parties. Ms. Anderson said the proposed legislation will keep New Mexico competitive with those states.

Ms. Anderson told the committee that insurance is currently provided by the Risk Management Division of the General Services Department, but Virgin Galactic will assume liability 60 days after the spaceport has received a certificate of substantial completion in October or November of this year.

Members of the committee discussed the informed consent legislation and the potential economic impact of the spaceport. Representative Rodella directed LCS staff to contact the New Mexico Partnership and put it on the agenda for the November meeting of the ERDC to discuss the spaceport. Ms. Anderson clarified that the Spaceport Authority has received \$209 million in state funding. In order to become financially self-sufficient, the spaceport must attract more tenants. Ms. Anderson indicated that it will be difficult to do so until the proposed informed consent legislation is in place.

#### **Recess**

The committee recessed at 4:38 p.m.

#### **Friday, August 17**

Senator Sanchez called the meeting to order at 9:00 a.m.

#### **Tour of Spaceport America**

Committee members, staff and members of the public toured Spaceport America.

#### **Adjournment**

There being no further business before the committee, the second meeting of the ERDC for the 2012 interim adjourned at 12:30 p.m.

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

**September 20-21, 2012  
El Morro Theater  
Gallup, New Mexico**

The fourth meeting of the Economic and Rural Development Committee (ERDC) for the 2012 interim was called to order by Representative Debbie A. Rodella, chair, on Thursday, September 20, 2012, at 10:14 a.m. in the El Morro Theater in Gallup, New Mexico.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Bernadette M. Sanchez, Vice Chair  
Rep. Ernest H. Chavez  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez  
Sen. Howie C. Morales  
Sen. David Ulibarri

**Absent**

Sen. Mark Boitano  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Nate Gentry  
Rep. Dianne Miller Hamilton  
Sen. Clinton D. Harden, Jr.  
Rep. Yvette Herrell

**Advisory Members**

Sen. Sue Wilson Beffort (9/20)  
Rep. Sandra D. Jeff (9/20)  
Sen. George K. Munoz (9/20)  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Richard D. Vigil (9/20)

Sen. Rod Adair  
Sen. William F. Burt  
Rep. Zachary J. Cook  
Rep. George Dodge, Jr.  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Rep. Andy Nuñez  
Rep. Nick L. Salazar  
Sen. John M. Sapien  
Rep. Thomas C. Taylor

**Guest Legislators**

\*Rep. Eliseo Lee Alcon  
Rep. Alonzo Baldonado (9/20)  
Sen. Cisco McSorley (9/20)

\*Named as a voting member for this meeting, added as advisory for the remainder of the interim.

(Attendance dates are noted for members who did not attend both days of the meeting.)

**Staff**

Peter Kovnat, Legislative Council Service (LCS)  
Pam Stokes, LCS  
Alex Tapia, LCS Intern

**Guests**

The guest list is in the archived meeting file.

**Handouts**

Copies of all handouts are in the archived meeting file.

**Thursday, September 20**

**Call to Order**

Representative Rodella asked committee members and staff to introduce themselves, and they did. Representative Rodella passed the gavel over to Representative Lundstrom to chair the meeting. Representative Lundstrom took a moment to acknowledge the service of David Dallago, chair, McKinley County Board of Commissioners, whose term limit is up this year.

**Welcoming Remarks**

Mr. Dallago welcomed the committee to Gallup and recognized the importance of economic development to the City of Gallup. Mr. Dallago took a minute to highlight a few of the recent achievements in Gallup contributing to growth in the job market, including a lot of construction and the addition of two refineries and two coal mines. He indicated that the increased efforts of the state, city and county governments toward working together are helping to move future plans forward. Mr. Dallago stated that although McKinley County does not have the money and population of the larger counties, he hopes that the committee will keep McKinley County in mind during the upcoming legislative session.

Allan Landavazo, mayor pro-tem, City of Gallup, provided some history on Gallup, reaching back to its Native American roots. Gallup's namesake, David Gallup, decided to build a railroad through the area to expand the intercontinental railroad. El Morro Theater opened in August of 1928 and was designed by Carl Boller and the Boller brothers. Originally, the theater had seating for 900 people, complete with a balcony and an orchestra pit. Due to renovations, today the theater can accommodate 470 people. In 1988, El Morro Theater was added to the National Register for Historic Places. Mayor Landavazo believes that the theater will have a large economic impact on Gallup in the future.

Tommy Haws, president, Greater Gallup Economic Development Corporation (GGEDC), stressed the importance of using the assets of the community to help develop the community and to create economic opportunities. Mr. Haws noted that McKinley County has very high unemployment rates and that Representative Lundstrom and Senator Munoz have been working to foster economic development in Gallup. A few years ago, the decision was made to take economic development out of the government sphere and to put it into the private sector. One of the public/private incentives was to form a partnership with the Association of General Contractors and the University of New

Mexico-Gallup (UNM-Gallup) in order to create a job training program. This first public/private partnership agreement was brought to the committee to witness its signing.

Representative Lundstrom asked for the signatories to approach the front of the room to sign the agreement. Vicki Mora, chief executive officer, Association of General Contractors, and Wynn M. Goering, interim executive director, UNM-Gallup, were among those who signed the document.

Representative Rodella praised the collaboration that this signing represented and expressed hope that this type of partnership will occur in other areas of the state. She recognized this as a great opportunity to be witnessed by the ERDC.

### **Update by Burlington Northern Santa Fe (BNSF) Railway Company and GGEDC**

LaTonya Finch, regional manager of economic development, BNSF Railway Company, addressed the committee regarding the importance of the railroad to New Mexico. Ms. Finch believes that Gallup is a strategic location for BNSF because of its proximity to oil and gas production. New Mexico is bordered on the east and west by metropolitan markets that are producing at a significant level. BNSF recently conducted a study that identified that large amounts of traffic and business development are occurring, but are lacking the appropriate transportation infrastructure to facilitate that growth.

Ms. Finch said that it is difficult to identify one landscape that could provide the space for such infrastructure. After working with different communities, including tribal areas, BNSF found land within the Navajo Nation that would support the infrastructure. The industrial park is currently under development, with a start date of August 2013 for construction. The first wave of development will create jobs and draw new customers into the area. BNSF is looking at moving forward while continuing to work with constituents and the legislature to change the landscape of economic development. The message Ms. Finch wanted to impress on the committee is that infrastructure is an economic engine and to recognize the value of the U.S. supply chain, which New Mexico has the opportunity to tap into.

### **Questions**

A member from the committee asked Ms. Finch if BNSF will be using the tax credits available for the Gallup project. Ms. Finch replied that no tax credits are being sought, but there will need to be some capital investments to access routes.

Another member asked if BNSF would be willing to produce a memorandum of understand regarding job training. Ms. Finch said that conversations surrounding training centers have already taken place and BNSF is willing to make that commitment.

A member of the committee inquired about other areas, such as Belen, for potential projects in the state. Ms. Finch answered by saying that BNSF is looking at working with an existing developer in the area with the goal of moving Belen forward and attracting users for the facility. Rural economic development is changing the landscape, and the job of BNSF is to put locals to work and to help the communities in which it is working.

## **Approval of Minutes**

### *Motion 1*

Upon a motion by Representative Rodella, seconded by Senator Sanchez, the committee voted unanimously to adopt the minutes from the third meeting of the ERDC.

## **Lunch**

Lindsey Mapes, executive director, Gallup Business Improvement District (BID), provided for the committee a brief introduction on the BID. The BID will not be asking the legislature for funding this upcoming session but will ask for support in the future. Ms. Mapes told the committee that the BID is hoping to make the Route 66 corridor safer by working with the Department of Transportation.

As members walked to lunch at Sammy C's, a local downtown restaurant, they were provided with updates on the BID. During lunch, members of community organizations addressed the committee with their updates and needs.

## **New Mexico Partnership**

Sean Ormand, vice chair, New Mexico Partnership, discussed the goals of the organization and the need for New Mexico to seek out businesses to come into the state. The mission of the New Mexico Partnership is to encourage and assist in the location of new industries and businesses to New Mexico and to expand existing businesses. The New Mexico Partnership was established in 2003 and is a public/private sector approach to engage the business community and provide flexibility in marketing. It is under the direction of 15 board members appointed by the governor and includes the secretary of economic development and one business representative and one economic development professional from each regional planing division.

Joe DiGregorio, Region 1 Board member, New Mexico Partnership, told the committee of his personal background as an entrepreneur and businessman. Mr. DiGregorio stressed the importance of jobs in communities and that customers are the key to the survival of a small business. Mr. DiGregorio requested that the committee consider directing more money to economic development.

Steve Vierck, president and chief executive officer, New Mexico Partnership, gave the committee an update for the last quarter and answered questions about aerospace initiatives that the committee had raised at the last ERDC meeting. The New Mexico Partnership is currently working on a diverse group of projects with target industries that include: advanced manufacturing; aerospace and defense; back office and technical support; digital media; emerging technology; energy and natural resources; logistics, distribution and transportation; and value-added agriculture.

Mr. Vierck shared some key findings from recent sales missions in Chicago, Minneapolis/St. Paul, Dallas, Phoenix, Cleveland/Columbus and Northern California. The New Mexico Partnership has discovered that there is a keen interest in existing buildings and rapid permitting as companies

have been delaying expansions. This is not advantageous to New Mexico due to the state's lack of infrastructure. New Mexico Partnership also found that companies are looking for a bilingual work force, a strength in New Mexico that should be capitalized on. Mr. Vierck also talked about marketing initiatives that the New Mexico Partnership is now employing to attract companies to New Mexico. The partnership's calendar has recently been expanded to make it more congruent with the needs of communities, adding some trade shows to increase the number of prospects in the state. Mr. Vierck informed the committee that New Mexico ranks forty-fourth in the U.S. in terms of economic development investments.

### **Questions**

A member of the committee asked about New Mexico's wealth of natural resources and what the partnership is doing to promote mining. Mr. Ormand responded that the cost of extracting minerals and federal regulations hamper the expansion of these industries. There is a need to cut back the roadblocks that prevent companies from coming into the state. Mr. Vierck added that energy and natural resources are abundant in New Mexico, with the state being second in the nation in solar energy, as well as having wind energy and nuclear power possibilities. New Mexico has a lot of potential, which needs to be looked at carefully.

In response to a question from the committee regarding the tax code's impact on small businesses, Mr. Ormand explained that there are a lot of soft costs in addition to regulatory expenses that make it difficult for small businesses. Business owners need help navigating those costs, lowering the rates and dealing with loopholes. Mr. Vierck believes that the core of the system is the success of small businesses. As a business attraction agency, the majority of people New Mexico Partnership talks to are small businesses looking to expand. Although New Mexico Partnership deals primarily with business attraction, there are many programs out there focusing on promoting the survival of small businesses, especially at the Economic Development Department.

Discussion regarding the prevention of businesses leaving the state after taking advantage of tax breaks and incentives occurred among members of the committee with input from the presenters. The suggestion was made by a committee member that there should be clawbacks regarding these incentives. Another member added that sunset clauses being instituted would encourage updates and help with the retention of these businesses.

### **The Impact and Importance of Tourism to Rural New Mexico and the Need for Adequate Sustainable Funding**

Sharon Schultz, chief executive officer, Tourism Association of New Mexico, presented to the committee the background of the association, whose mission is to serve as the advocate, educator and unified voice for New Mexico's tourism industry. As the fourth-largest private sector employer, tourism adds \$5.5 billion in direct revenue in New Mexico annually. Ms. Schultz emphasized the point that tourism matters to everybody, even those that are not directly connected to the tourism industry. In 2011, \$565 million in taxes was generated from tourism and contributed to state and local governments' ability to pay for essential services, including public education, roads and health care. Ms. Schultz mentioned some of the current initiatives that the Tourism Association of New Mexico is undertaking, such as "State of Enchantment-Spirit of Service" and "New Mexico True".

Also mentioned during the presentation was the catastrophic effects of dramatic cuts to tourism funding. Ms. Schultz explained that when Colorado cut its tourism investment to zero, its share of U.S. travel plummeted 30% within two years, creating a revenue loss of more than \$2 billion annually. Following up on that statement, Ms. Schultz provided examples of states that had invested in their tourism advertising and received great returns.

## **Questions**

Responding to inquires about possible legislation in the upcoming session, Ms. Schultz replied that the Tourism Association of New Mexico would not be presenting legislation but that the committee would likely get legislative requests from the Tourism Department. Ms. Schultz emphasized studies that have proven the worth of the Tourism Department and that her organization will continue to fight for an increase in funding.

A member of the committee voiced support for appropriations focused on small communities in rural New Mexico that possess a lot of culture and heritage, suggesting signs that display historical markers and information as tourist attractions.

Senator McSorley requested from the Tourism Association of New Mexico a survey or report that would record the impact of investments into tourism during the last year of Governor Johnson's administration and Governor Richardson's administration.

## **Telecommunications Issues in New Mexico**

Leo Baca, state legislative affairs director, CenturyLink, addressed the committee on matters relating to the impact of CenturyLink on economic development in New Mexico. Mr. Baca explained the growing concern of businesses such as CenturyLink with large national competitors such as Verizon and Sprint. CenturyLink is currently a highly regulated company in a mostly unregulated communications environment. In September 2011, CenturyLink filed a petition with the Public Regulation Commission (PRC) requiring it to determine if public telecommunications services are subject to "effective competition". If CenturyLink's markets are found to be effectively competitive, the PRC must determine the appropriate regulatory changes to "modify, reduce or eliminate rules, regulations and other requirements applicable to the provisions of such service". The PRC must also ensure that competitors in the same market are regulated under the same standards. If CenturyLink's markets are found to be effectively competitive by the PRC, CenturyLink is seeking to: modify existing regulation of service quality of retail telecommunications services throughout New Mexico to be in parity with all competitive local exchange carriers (CLECs) in the state; have recognition of the power of competitive markets to produce increased innovation and investments at fair prices; and achieve regulatory parity with CLECs on minimum pricing rules.

Mr. Baca made the case that New Mexico markets are highly competitive and provided examples of government grants and stimulus funds that support competition in much of CenturyLink's service area in New Mexico. Mr. Baca also mentioned the need for Universal Service Fund (USF) reform, stressing that USF reform should be about consumers and not companies.

Charlie Ferrell, executive director, New Mexico Exchange Carrier Group (NMECG), provided the committee with an overview of the organization and the services it provides to rural New Mexico. The NMECG is an industry association composed of 11 rural telecommunications companies serving 63% of the state's geography. Mr. Ferrell also discussed reforms of the USF and proposed changes to several sections of the Rural Telecommunications Act of New Mexico to meet the objectives of House Joint Memorial 9 from the 2012 session. The NMECG will be asking for the support of the committee regarding changes in the statute.

John Badal, chief executive officer, Sacred Wind Communications (SWC), described the business and its mission to bring service to the Navajo Nation and other underserved populations of the state. SWC's customers are below the national average in many categories, including education and income. Mr. Badal informed the committee that SWC uses an innovative network design that is the most versatile and affordable for the terrain. In addition, SWC has been the recipient of numerous national awards and praised as being a "poster child" for the USF. Mr. Badal shared the view of Mr. Ferrell regarding changes in legislation. SWC is seeking an amendment to Section 63-9H-1 NMSA 1978 to remove an ambiguity in state law, as well as statutory updates to Section 63-9H-6 (L) NMSA 1978 and improvements to Sections 63-9H-4, 63-9H-6 (L) and 63-9H-7 NMSA 1978.

## **Questions**

Representative Lundstrom requested Mr. Ferrell to provide a flowchart of the different agencies related to telecommunications, indicating where each decision is made and illustrating the stance of the NMECG. Another member suggested the potential need for two separate bills and advised Mr. Ferrell to work with staff in drafting the legislation.

Senator Beffort requested a list of the different funds detailing how much is going into the funds and how the funds receive money. Discussion occurred among members of the committee about previous actions taken by the ERDC in regard to the PRC and the Federal Communications Commission.

## *Motion 2*

A motion was made by Representative Lundstrom to have staff draft a letter regarding regulation by the PRC. The motion was seconded by Senator Sanchez.

## **Regional Tourism Strategies: Global Center for Cultural Entrepreneurship (GCCE)**

Tom Aageson, executive director, GCCE, began his presentation by explaining the global movement toward cultural economies and cultural industries. Mr. Aageson informed the committee that cultural economies are broad, and they include film and education. The GCCE is currently working on a strategy to create a cultural corridor to build a tourist attraction from Chama to Belen. This would offer travelers more options and provide larger incentives for people to explore rural areas. Mr. Aageson described a newer trend toward "agritourism", a fast-growing, value-added agricultural strategy to encourage exploration of vineyards, farms, community gardens and mazes. The GCCE supports and sponsors events and artisans in rural areas and provides the necessary tools

for people seeking authentic experiences. There has been a trend of people wanting to go deep into communities, and creative tourism is about inviting people to come in to take classes or lessons with artisans. Mr. Aageson explained that this type of tourism is good for local economies, since a five-day class means five nights in the community, spending money on food, hotels and other travel expenses.

Alice Loy, co-founder, GCCE, discussed some of the current projects that the organization is working on, including PowerUp!, GCCE Fellows, Market Links, Northern New Mexico Cultural Corridor and the Sustainable Native Communities Collaborative. Part of the GCCE's goal is to teach people to use email and computer programs to use resources to promote their businesses and events. More than half of New Mexico businesses do not have a web site, a tool that keeps small businesses competitive and helps them to access new markets. Ms. Loy expanded on the topic of agritourism, citing it as the fastest-growing commodity in agriculture. New Mexico is unique with acequias, indigenous languages, food and historical landmarks that provide great opportunities for communities.

### *Motion 3*

A motion was made by Representative Lundstrom to send letters to the Economic Development Department, the Tourism Department, and the New Mexico Department of Agriculture about adding a link from their respective web sites to the GCCE web site. The motion was seconded by Representative Alcon.

### **Questions**

A member of the committee asked what opportunities are available for small farms in New Mexico. The presenters answered that there are endless possibilities such as camping, corn mazes, renting farms out for photography classes, partnering with local chefs, wagon pulls, renting to writers and creating internships on farms. Ms. Loy added that tourists like places where they can also purchase items, such as vineyards or the lavender farm in Abiquiu.

### **Recess**

The committee recessed for the day at 5:20 p.m.

### **Friday, September 21**

#### **Reconvene**

The ERDC meeting was reconvened at 9:03 a.m. by Representative Rodella. Committee members moved to the audience seating to watch a short film by Adventure Gallup and Beyond. After the film, the committee members returned to their seats to proceed with the meeting. Representative Lundstrom continued to chair the meeting.

### **Adventure Gallup and Beyond: Its Impact and Its Model**

The film shown by Adventure Gallup and Beyond was a promotional feature about the endurance cycling race "24 Hours in the Enchanted Forest", just outside of Gallup. The Gallup/McGaffey area will also be the host to the 2013 and 2014 National 24-Hour Mountain Bike Championships.

Karl Lohman, vice president of the board of directors, Adventure Gallup and Beyond, explained that the strategy of Adventure Gallup and Beyond is to engage youth to build trails and to work. Mr. Lohman, also the director of the Gallup Youth Conservation Corps, told the committee that it is important to ensure public access to new assets created by the corps. As part of the project, 465 tons of trash were removed from the area, restoring the open spaces and engaging the youth work force as full players in the community, while opening potential gateways for careers.

Evan Williams, deputy director, Northwest New Mexico Council of Governments, added that the initiative is about tourism and economic development through tourism, specifically adventure tourism. Adventure tourism includes adventure sports, cultural tourism, museums and the arts, as well as agritourism and eco-tourism. Tourists are drawn to New Mexico for activities such as hiking, running, horseback riding, boating and cross-country skiing, all of which are considered participatory. Adventure tourism also includes spectacular activities like rodeos and ballooning. In 2011, the legislature made Gallup the adventure capital of New Mexico. Mr. Williams provided the committee with some background and history of Adventure Gallup and Beyond, concluding by explaining the group's current project working with the U.S. Forest Service to develop over 200 miles of trails in the Zuni forest.

Ms. Mapes, Zia Rides, commented that the economic benefits of 24 Hours in the Enchanted Forest are not limited to the actual event. Mountain bikers, for example, come out prior to races to ride the trails, spending money in the community during their stay. The national race next year will attract the top mountain bikers from all over the world and will be featured in international magazines.

Olin Clawson, president, Adventure Gallup and Beyond, ended by affirming that these assets are something that Gallup has always had. Adventure Gallup is now pairing them up and creating value from them.

## **Questions**

A member of the committee commented on Adventure Gallup and Beyond's work to expand and diversify tourism in Gallup from cultural tourism. The member stressed the importance of capital outlay funds and their use to develop and promote tourism throughout the state. Projects started from capital outlay funds are much bigger than they seem at the time and can be the start of new markets for the region.

## **New Mexico Oil and Gas Association (NMOGA): Economic Development in Rural Areas**

Kent Cravens, director, governmental affairs, NMOGA, presented to the committee regarding the status of the oil and gas industry in New Mexico. Mr. Cravens informed the committee that the industry is doing well in some areas, but other areas such as the northwest part of the state, are not doing as well. The oil and gas industry is a large contributor to state coffers, yielding around \$6 million a day in state revenue both directly and indirectly.

Mr. Cravens continued by stating that multiple opportunities for the oil and gas industry lie in the frontier areas of New Mexico and remain a real interest. The difficulty remains in the differences among counties — major players in land use agreements, roads, noise ordinances, dust and surface water. There is currently a patchwork of ordinances created by the counties with a lack of communication and trust between the county commissioners and the state. Mr. Cravens noted that no structure at all can be just as limiting as too much regulation. The goal for NMOGA is to foster dialogue among the counties, industries and the state in order to create some structure. The NMOGA is seeking the help of the legislature with this dialogue.

## **Questions**

A member of the committee asked about the potential for oil and gas in some of the counties. Mr. Cravens responded that there is not enough potential in any one county, but collectively there is a lot of potential throughout the state. Mr. Cravens added that ground water remains a main concern in terms of drilling, but with the current technology, drilling goes beyond the water table, thus eliminating ground water contaminations. The member of the committee suggested educating the public about the industry and new technologies.

Discussion among the committee members and Mr. Cravens occurred regarding the revision of the federal Oil and Gas Prospecting Act of 1935 and the role of the state in establishing these regulations. The creation of a task force to work on these issues was suggested by members as well as collaboration with other committees such as the House Energy and Natural Resources Committee and the interim Radioactive and Hazardous Materials Committee.

Representative Rodella requested staff to draft a memorial requesting that the oil and gas industry and other stakeholders work together to come up with some solutions to be sponsored by the committee. Other members can be part of this memorial if they choose.

## **Inter-Tribal Indian Ceremonial Association: Economic Impact of Indian Arts and Crafts**

Tammy Barton-Damon, board member, Inter-Tribal Indian Ceremonial Association, shared with the committee the background of the association. August 2012 marked the ninety-first annual celebration of the Intertribal Indian Ceremonial, held in Gallup each summer since 1922. The ceremonial is an event that draws indigenous groups from the U.S., Canada and Mexico to share their diverse culture and heritage, showcasing traditional dances, crafts, an all-Indian rodeo and powwows. The ceremonial brings tourists from around the world to Gallup, with its world-renowned reputation for authenticity and quality. Over \$2.5 million in art is submitted each year, stimulating the Gallup economy and preserving cultural heritage. The Inter-Tribal Indian Ceremonial Association is working on getting more efficient and structured to continue to improve each year as it approaches its 100-year anniversary.

## **Adjournment**

There being no further business before the committee, the fourth meeting of the ERDC adjourned at 11:00 a.m.

## **Tour of the Richardson's Trading Post: Economic Impact of Indian Arts and Crafts**

The members of the committee and staff toured Richardson's Trading Post.

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

**October 1, 2012  
The Science and Technology Park Rotunda  
University of New Mexico (UNM)  
801 University Blvd. SE, Park North  
Albuquerque**

**October 2, 2012  
The Aperture Center at Mesa Del Sol  
5700B University West Blvd. SE  
Albuquerque**

The fifth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, chair, on Monday, October 1, 2012, at 10:18 a.m. at the Science and Technology Park Rotunda at UNM in Albuquerque.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Bernadette M. Sanchez, Vice Chair  
Rep. Ernest H. Chavez (10/1)  
Rep. Mary Helen Garcia  
Rep. Nate Gentry (10/2)  
Rep. Dianne Miller Hamilton  
Sen. Clinton D. Harden Jr.  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez (10/1)  
Sen. David Ulibarri

**Absent**

Sen. Mark Boitano  
Sen. Mary Jane M. Garcia  
Sen. Howie C. Morales

**Advisory Members**

Sen. Sue Wilson Beffort (10/1)  
Rep. George Dodge, Jr.  
Rep. Sandra D. Jeff (10/1)  
Rep. James Roger Madalena (10/1)  
Rep. Andy Nuñez  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Rep. Richard D. Vigil

Sen. Rod Adair  
Rep. Eliseo Lee Alcon  
Sen. William F. Burt  
Rep. Zachary J. Cook  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Sen. George K. Munoz  
Sen. John M. Sapien  
Rep. Thomas C. Taylor

(Attendance dates are noted for members who did not attend both days of the meeting.)

**Staff**

Peter Kovnat, Legislative Council Service (LCS)

Pam Stokes, LCS

Alex Tapia, LCS Intern

**Guests**

The guest list is in the archived meeting file.

**Handouts**

Copies of all handouts are in the archived meeting file.

**Monday, October 1****Call to Order**

Representative Rodella asked members of the committee and staff to introduce themselves, and they did.

**Welcoming Remarks**

Dr. Robert Frank, president, UNM, welcomed the committee to the campus and provided information about UNM's current 120-day listening campaign — an opportunity for the school to receive feedback on how to improve the university as it moves toward the year 2020. During the campaign, the school is asking people who have experience with UNM what they envision the university to be. Dr. Frank stated that he believes that UNM needs to be portrayed as a major university, a great university. Dr. Frank asserted that UNM's contribution to the economy of New Mexico is students. UNM seeks to recruit every student who graduates from a New Mexico high school with honors.

Dr. Frank also updated the committee on the recent UNM economic development summit held in September. The summit's turnout was better than expected, with over 350 people in attendance, in addition to Governor Susana Martinez and both national laboratories. One product of that summit is the "high density incubator", a public/private partnership that creates dorms that work off of each other. These incubators would foster an entrepreneurial spirit by encouraging mentorship programs. Dr. Frank stressed the critical need for scale and management talent to move from 15 employees to 50 employees. He noted the lack of skilled business leaders and the frequent occurrence of businesses leaving the state, emphasizing the need to keep the entire sector in-state from the idea to the product.

Among UNM's legislative initiatives, in addition to the high density incubators, are the creation of "governor's chair" positions — faculty who are very talented who would be shared between one of the laboratories and the university. UNM also has an interest in expanding a wing at the UNM Hospital. Dr. Frank pointed out that UNM is New Mexico's only trauma care hospital and there is a real need to build additional rooms and update the 50-year-old facility. The remodel of the

hospital would create 4,000 construction jobs and increase the number of health care jobs once in operation.

### **Questions from Committee Members**

In regard to the incubators, a member of the committee asked if those businesses would stay in New Mexico and if they would move throughout the state. Dr. Frank answered that it is hoped that the businesses would move into locations around the state and that tax reforms could be used to keep businesses from leaving the state. Christopher D. Hall, chair and professor, UNM School of Engineering, added that there would not be fees for the companies that come to work with the program and that UNM would provide the companies with students and a facility in which to work.

A member of committee asked if there are any concerns about adding on to the hospital with the recent closures of hospitals around the country. Dr. Frank replied that there are not. Marc H. Saavedra, director, UNM Government and Community Relations, followed up by assuring the committee that UNM is not requesting additional money for the project. UNM has \$146 million saved up, making the addition to the hospital fully funded. UNM will be holding several town hall meetings to discuss the future of the hospital. The hospital will go before the State Board of Finance on October 16, 2012, with an estimated construction completion time of two years. Dr. Frank requested that the committee express its support for the project and the importance of the trauma center in New Mexico to the members on the State Board of Finance and their legislative colleagues.

### *Motion 1*

Upon suggestion by a member of the committee, Senator Sanchez moved to write a letter to the State Board of Finance to endorse the hospital project on behalf of the ERDC. The motion was seconded by Representative Herrell.

### **UNM School of Architecture and Planning Assistance Center**

Geraldine Forbes Isais, dean, UNM School of Architecture and Planning, presented to the committee information about the school and the Design and Planning Assistance Center (DPAC). Within the School of Architecture and Planning, there are five centers, three professional degrees and two undergraduate programs. The DPAC has over 40 years of community engagement experience and has produced over \$9 million in design and construction projects. The DPAC works with nonprofits, public agencies and community groups on design, physical planning and policy investigations serving New Mexico and Southwest communities. The program has conducted projects in 27 different locations, including Truth or Consequences and Dona Ana, with its most recent project in Belen. In the future, the DPAC hopes to work more broadly throughout the state, develop long-term relationships with communities and engage in a variety of services from historical research and preservation planning to adaptive reuse.

During the presentation, Ms. Forbes Isais showed several examples of DPAC projects around the state, illustrating that projects are not just buildings but landscapes, squares and plazas. The DPAC is helping community members figure out how they will take action in developing their communities, while also bringing together several of the schools into the process. It is the hope of

the DPAC that the legislature will keep it in mind along with the New Mexico MainStreet program.

Rich Williams, director, New Mexico MainStreet, reinforced the testimony of Ms. Forbes Isais by highlighting New Mexico MainStreet's impact on communities. Mr. Williams added that the DPAC's importance lies in its ability to help identify and resolve problems while engaging students. These projects result in 18,000 volunteer hours performed by people coming back and investing in their communities.

### **Questions from Committee Members**

A member of the committee inquired about the DPAC's role in being an outside voice of unity in divided communities. Mr. Williams believes that the DPAC has been a facilitator of dialogue and ideas in many communities.

A member of the committee asked if communities have to have MainStreet in place prior to receiving assistance from the DPAC and what costs are involved with utilizing the program. Ms. Forbes Isais clarified that the school pays for the facility and offered herself as a contact to help interested parties through the process.

A member of the committee questioned the source funding for MainStreet, to which Mr. Williams responded that MainStreet has never had a line item and is funded through the Economic Development Department. The program's current budget is \$750,000.

A committee member asked the presenters if the DPAC could help with the design of a specific building project in the member's district instead of using an architect. Ms. Forbes Isais said that due to the program's code of ethics, the DPAC cannot take work from professional colleagues. The DPAC can, however, talk with the community about its plans and potentially be involved as an academic project.

Another member of the committee asked about the line of noncompetition with the private sector and nonprofits. Ms. Forbes Isais responded that the DPAC can bring drawings, assess needs, create outline projects and give ideas. The DPAC stays with the client through the process but likes to break at the 50 percent point, which is the standard national model. The goal is not to take away from the private sector jobs.

### **Biomass as an Economic Resource**

Jacob Berman, vice president of business development, Incitor, Inc., summarized to the ERDC the principles behind Incitor and its goals for the future. Incitor is commercializing chemical processing breakthroughs to inexpensively convert cellulosic biomass into high-value chemicals and fuels. Founded in 2007, Incitor, headquartered in Albuquerque, does not use any food commodities such as corn and focuses mostly on waste material promoting forest management. Mr. Berman informed the committee that Incitor is the largest producer of 5-(chloromethyl)furfural (CMF) in the world and has developed a catalyst that is added to the CMF that takes out the chlorine in CMF. Mr.

Berman talked about some of the accomplishments that Incitor has achieved in the world of fuels and some of the benefits it has for the environment.

Incitor has contracts with the military to convert base waste into fuel. In addition, Incitor is currently working with Los Alamos National Laboratory (LANL) on the conversion of jet fuel. Incitor scientists are on track to produce carbon atom 12, a replacement for jet fuel. Incitor has overgrown its current facility and is looking for a new location that would add seven scientists and two engineers, in addition to other operation support. The company is currently looking at Milan, near Grants, as a potential location for the new facility. Mr. Berman explained the desire to be in rural communities by saying the closer to the biomass it can operate, the less it will cost to produce products. Incitor is seeking state assistance to build the next facility.

### **Questions from Committee Members**

A member of the committee asked if Incitor has considered the use of animal manure and if it is currently marketing what it is producing. Mr. Berman acknowledged that methanol can be used to create fuel but admitted that Incitor has not had the resources to work on manure so far. Incitor sends its products for testing to independent laboratories, the military, major companies and both chemical and oil companies. Incitor is not producing enough products to sell at market.

Members of the committee asked Mr. Berman about the tax credit and how much Incitor is able to fund out of pocket for the new facility. Mr. Berman replied that there are many state tax credits and Incitor is still looking for others. The state tax credit comes after the facility is built. Incitor has 10 percent of the \$10 million needed for the new facility. The company is involved in ongoing conversations with the Economic Development Department regarding tax credits.

Representative Rodella asked staff to prepare a letter to Secretary of Economic Development Jonathan L. Barela about having a representative present at ERDC meetings to listen to presentations like Incitor's.

In answering a committee member's question regarding intellectual rights and the size of Incitor's system, Mr. Berman explained that LANL holds the proprietary rights to the project on which it is working. The system itself is not very large but needs about three to five acres, with most of that being a holding area for the waste.

### **The Merits and Pitfalls of Credit Transferability and Economic Incentives**

Ethan Epstein, juris doctor and principal, Epstein and Company, LLC, testified before the committee regarding the benefits of opening tax credits for transferability between businesses. Mr. Epstein explained that New Mexico has developed a series of tax credits and these credits can be more optimal if they can be sold or transferred. Most of New Mexico's tax credits are bound by rules that prevent trade; lifting these restrictions would encourage timely payment of taxes and allow businesses to access tax credits that are otherwise being left unused. Taxpayers who engage in the targeted activity who pay no or little tax economically benefit from their ability to sell the credit for cash. Mr. Epstein concluded by arguing that transferability is superior to tax refunds for the following reasons:

- transferability is an easier incentive to get through the legislature;
- transferability allows tax credit holders to achieve a better return on the liquidation of their credit because such transactions can enjoy long-term capital gains treatment;
- transferable tax credits are claimed and are generally and immediately absorbed on the taxpayer's tax return, whereas refunds over \$10,000 require the approval of the Attorney General's Office (AGO);
- transferability allows credit liquidation opportunities years in advance, whereas refund ability occurs well after the close of the previous calendar tax year;
- transferability helps more people than cash rebates;
- transferability, in some instances, better corresponds to the federal tax system; and
- transferability provides much more flexibility than refunds by allowing people to hold their credits and stagger payments over a series of years to avoid bunching of income to mitigate a large tax burden upon liquidation.

### **Questions from Committee Members**

There was discussion among the committee regarding Mr. Epstein's presentation and the feasibility of transferability. Mr. Epstein clarified for members that there are a lot of credits available that nobody is taking advantage of and the program is not doing what it is intended to do. Therefore, by allowing credits to be traded, businesses can receive some economic benefit from the credits. New Mexico could recoup some loss by collecting taxes on the sale of tax credits. In terms of oversight, Mr. Epstein asserted that there would be two parties involved in overseeing the sales of tax credits — a qualified intermediary and one individual at the Taxation and Revenue Department.

### **Mariposa: Bond Counsel and the Homebuilding Industry**

Vanessa Alarid, director of government affairs, New Mexico Home Builders Association, spoke to the committee about the background of public improvement districts (PIDs) and stressed that PIDs are not involved with the events that occurred with Mariposa. Ms. Alarid believes that PIDs are vital to communities.

Justin Horwitz, attorney from the Rodey Law Firm, addressed the legal and administrative aspects of PIDs. Mr. Horwitz outlined that PIDs can levy property taxes on land and impose special levies and charges for improvements. He went on to describe the process of creating PIDs, how they are established and how they are run after completion. Mr. Horwitz explained for the committee that Mariposa was the only development in the state that used the general obligation (GO) bond process. All other PID projects used a special levy that has a maximum and rate that can be imposed on the homeowners.

Garret Price, Pulte Homes, testified that Pulte Homes was a participant in the initial PID eight years ago and that public initiatives have been common throughout the country for the last 10 years. Mr. Price cited Voltaire, Ventana West, Cabason, Mesa del Sol and the Holders as five successful PIDs, noting that none of them had used the GO bond methodology. The development of master plans has made these communities more comprehensive by adding necessary infrastructure and building parks.

Karen Meyers, director, Consumer Protection Division, AGO, stated that her presence at the committee meeting was neither to support nor oppose PIDs, but because the AGO was contacted by the homeowners in Mariposa. The reason for the incident in Mariposa was due to a deficiency in the statute. Unfortunately, the residents of Mariposa are not covered under the Unfair Practices Act because the act specifically excludes homeowners who buy houses that are already built. Ms. Meyers admitted that PIDs are complicated and stressed the need for homeowner disclosures that can inform interested parties of the risks involved in these purchases. The developer is protected, and it is the homeowner that ends up carrying most of the risk. Ms. Meyers suggested two things that need to be done: 1) there should not be an unlimited levy of any kind, and if there is, it would not be determined by the market; and 2) it should be investigated whether or not there should be sanctions for the violation of the PID Act. Ms. Meyers stressed the importance of meaningful disclosure of all material facts, including all possible fees and levies.

Members of the audience who are residents of Mariposa were asked to voice their comments to the committee. Zack Bryan, resident, described the Mariposa PID as a nightmare and does not wish the trouble on anyone else. Mr. Bryan added that he would like to see legislation that would prevent this from happening again. Sara Bryan, resident, echoed those sentiments by sharing her experience with Mariposa.

Angela Maxworthy, treasurer, New Mexico Mortgage Lenders Association, believes there is a definite need to install caps on fees and levies. The ability to repay debt falls under federal law and situations like Mariposa are making it difficult to do so. Lenders will not lend money in those communities anymore and builders cannot move forward without those funds.

Randy Traynor, lobbyist, New Mexico Home Builders Association, stressed that the consumer must be comfortable with buying homes in these projects. Mr. Traynor vowed to continue to work with the AGO in finding solutions.

### **Questions from Committee Members**

A member of the committee asked the presenters if PIDs are forced taxes on consumers and how those are paid. Mr. Horwitz explained that PID taxes are imposed on the people who choose to live in the districts that are typically formed by the developer. There is a special levy of property taxes that is based on the lot size.

A member of the committee asked Mr. Horwitz if he will present a legislative fix to the problem, to which Mr. Horwitz responded that he has prepared a draft bill and has shared it with the AGO. The AGO is currently waiting on the legislation due to some legitimate issues and is hoping to spend more time on it to find solutions that are in everybody's best interests.

A member of the committee inquired about the different fees. Mr. Price answered that there are two different fees, the PID fee and the impact fees. The PID fee is specific to the community and the developer can invest funds immediately. The impact fees go to pay for deficiencies in that project specifically. Impact fees are paid at the time of purchase and go into a fund at the city. There is also a homeowner association fee that helps maintain the landscaping of the PID.

A member of the committee asked if there is a glossary of terms for the PIDs to help consumers understand the differences between fees. Ms. Meyers said that it does not currently exist but that the AGO could put one together as an informational packet. The suggestion was made for the proposed informational packet to be distributed to the Veterans' Services Department and the Aging and Long-Term Services Department so that veterans and the elderly will not be taken advantage of in the future.

### **Building Food Entrepreneurs Across New Mexico**

Tim Nisly, chief operating officer, and Tony Gallegos, chief executive officer, Rio Grande Community Development Corporation (RGCDC), addressed the committee regarding their food entrepreneur project called the Mixing Bowl. The Mixing Bowl works with 250 potential entrepreneurs every year with 120 businesses currently in the development phase, 60 businesses currently selling products and another 40 businesses that have graduated from the process over the last six years. With no initial fee for people to use the facility, the incubator teaches a business plan that includes accounting and marketing. Mr. Nisly described the RGCDC's six-point plan to provide world-class, comprehensive solutions for food-based businesses and communities that want to provide food incubation to local entrepreneurs. This plan helps people navigate some of the difficulties in starting a business and includes kitchen operations, community among entrepreneurs, consumer recognition, business training, access to capital and access to markets. Individuals and families can decide how far they want to take their business, some operating only locally and others expanding nationally and internationally.

The representatives from the RGCDC emphasized the challenges with putting the product in the hands of people and the expenses that coincide with it. They have developed the "Delicious NM" brand to mark the foods so that all consumers know that the product has been approved by the RGCDC. Products coming out of the incubator have been featured at the Fiery Foods Show, in local restaurants, at beer festivals and in Whole Foods stores nationwide.

Mr. Nisly told the committee that with these incubators, 40 to 50 jobs can be created in small communities. Mr. Nisly cited the investments in this program, such as the United States Department of Agriculture providing funding for a kitchen in Truth or Consequences and Bernalillo County giving \$50 million in tax incentives to US Foods. Various pueblos and reservations around the state want to get involved with these kitchens but still require a kitchen and the training necessary to make these incubators work.

### **Questions from Committee Members**

Representative Rodella suggested that the committee endorse a general fund request for the RGCDC and requested staff to write a letter to the Economic Development Department about this program.

A member of the committee asked if the RGCDC is working with culinary arts programs in colleges like Navajo Tech College. Mr. Gallegos explained that culinary arts programs produce chefs and food workers, not businesses, which create jobs and generate taxes.

A member of the committee asked if the RGCDC is working with the agricultural sector on these kitchen projects. Mr. Gallegos said the goal is to fuse all of these markets together, as there are a lot of organic and near-organic markets, and the RGCDC wants to make the connections between them. All of the ingredients need to be supplied before the kitchens can make products out of them.

### **Recess**

The first day of the ERDC meeting recessed at 4:24 p.m.

### **Tuesday, October 2**

### **Reconvene**

The meeting was reconvened at 9:12 a.m.

### **Initiatives and Legislative Priorities of the Regulation and Licensing Department (RLD)**

J. Dee Dennis, superintendent, RLD, provided a report to the committee of the activities of the RLD for the last 21 months, which included improvement in customer service, creating manuals to ensure consistency in licensing requirements and a move toward online renewals and applications. Online renewal will hopefully reduce the costs of the department that annually spends \$139,000 on postage and \$56,000 in toner and annually uses 250,000 envelopes and 2.5 million sheets of paper for licensing. The RLD has adopted rules, developed application and reporting forms and built a compliance program for the Sale of Recycled Metals Act that went into effect on July 1, 2012. So far, only 79 dealers have registered and notices of contemplated action have been sent out to 15 dealers that have ignored the act.

The Financial Institutions Division (FID) of the RLD has started full-scope examinations of the small loan industry. It is expected to take some time to examine all 579 small loan institutions. The FID received complaints about two escrow companies that did not distribute funds to account holders. Investigation into the matter revealed that millions of dollars had been stolen from account holders in addition to the loss of land. As a criminal matter, the case has been turned over to law enforcement. Due to the federal regulatory rules of Dodd Frank, state financial institutions are feeling pressure and the FID will be seeking an expansion in the upcoming session for additional staff to cover examinations required by Dodd Frank regulations.

Superintendent Dennis discussed the efforts of the review of 108 body art establishments and revealed that the RLD filed complaints against 46 unlicensed establishments and issued three cease and desist orders for unsafe and unsanitary practices. The RLD also filed 46 complaints against unlicensed individuals.

The RLD has spearheaded a program called the Returning Veterans Project, where counseling, social work and psychology boards are enlisting licensed members to provide pro bono

service to returning veterans and their families for one year. Superintendent Dennis added that the RLD's goal is to have providers in every county in the state.

Superintendent Dennis continued by adding information regarding the Securities Division's development and implementation of several consumer protection and investor education programs in the state, including the elder investment financial fraud exploitation preventive program (EIFFE). Superintendent Dennis also covered the results of House Memorial 54, which requested a review of the Liquor Control Act and its impact in economic development on rural communities. The RLD has identified that the current license structure, along with the lack of available licenses, have a significant economic impact on rural New Mexico and some changes need to be made. The RLD is working to stabilize the skyrocketing costs of liquor licenses and is considering the possibility of offering a rural restaurant license. The RLD is currently working on legislation for the upcoming session to resolve some of these issues.

Finally, the RLD has worked to combine the Construction Industries Division (CID) and the Manufactured Housing Division (MHD) into one entity. The CID/MHD has rolled out the electronic plan review where contractors, architects and owners can now submit plans for permitting online and receive real-time interaction with the plan reviewers. The CID has developed a construction tracking system, expected to launch January 15, 2013, to replace the antiquated KIVA system for tracking permits and inspections. Superintendent Dennis noted that the CID has nine inspectors on track to be certified in the multi-discipline inspectors program. Overall compliance restructuring has taken place, with 360 active compliance cases currently being investigated. The CID/MHD is actively pursuing individuals engaging in contracting without a license, a big problem in the state, with 180 cases currently under investigation.

### **Questions from Committee Members**

A member of the committee commented on local restaurants operating as if they have full dispenser licenses, an issue that would need to be addressed in rural licensing rules. Superintendent Dennis mentioned that the RLD does not have investigative authority and that it shares those cases with the Special Investigations Division (SID) of the Department of Public Safety (DPS). Another member noted that the DPS is understaffed and requested LCS staff to research the number of SID agents in the state.

Members of the committee asked for more information on the Returning Veterans Project and the EIFFE for preventing fraud abuse of seniors, to which Superintendent Dennis answered accordingly. Members also asked about alcohol server licenses and violation offenses and clarification about licensed versus unlicensed contractors. Superintendent Dennis responded to all of the questions from committee members.

### **Update on Flexibility for Local Construction Inspectors: SB 262 (2011)**

Katherine Martinez, director, CID, RLD, addressed the committee regarding concerns that the CID is not allowing the flexibility that the provisions of Senate Bill 262 (2011) provide. Ms. Martinez discussed the importance of timely inspections, explaining that delays in projects can be costly and can potentially kill projects. The CID is continuously looking for ways to improve their

business processes as well as working with local jurisdictions to better serve the industry and the residents of the state. The CID is primarily charged with the life and safety of those who work in the construction environment. Ms. Martinez stressed that this responsibility requires the establishment of process and standards.

Ms. Martinez proceeded to briefly go through the changes that were made due to SB 262 and how they translate into inspector standards and services for the state and local jurisdictions. The reason for the elimination of Section 60-13-42 (E) NMSA 1978 and the amendment to Section 60-13-41 (E) NMSA 1978 are unclear. The legislature did not change Section 60-13-43 NMSA 1978, which clearly states that inspectors "are employed" at the local levels of government, as opposed to "state inspectors". Section 60-13-41 NMSA 1978 reads that "state inspectors" shall be employed by the CID director. Ms. Martinez added that it is not as important to discuss the confusing nature of SB 262 as it is to discuss the efforts being made by the CID to allow jurisdictions more options when it comes to hiring inspection services.

First, the CID will in no way hinder a local jurisdiction from performing inspections in another jurisdiction should the two jurisdictions be in agreement and establish a memorandum of understanding, a copy of which must be provided to the CID. Secondly, the CID will not prevent an inspector from leaving a jurisdiction to inspect in another jurisdiction, provided that the inspector is employed by a local building official and is certified and meets criteria as set forth by the Construction Industries Commission (CIC).

Ms. Martinez then presented the CID's 2013 legislative requests to continue to improve inspection response times and service statewide. The CID is working on legislation that would allow a local jurisdiction to employ third-party inspection services, provided that three key criteria are met: 1) there is a locally employed building official; 2) the jurisdiction has adopted the state code minimum building standard; and 3) the inspector meets the criteria as set forth by the CIC. These criteria provide protection for licensees and residents while requiring the standards that all inspectors must now meet. Ms. Martinez concluded by adding that with these changes in legislation, local jurisdictions could train alongside state inspectors in multiple certification programs, offering a huge benefit to remote areas while the housing market recovers.

Walt Senoski, vice president, Central New Mexico Chapter of Building Officials, agreed that SB 262 has opened the door for different opportunities for jurisdictions and all state-certified inspectors. Mr. Senoski explained that the change in Section 60-13-42 NMSA 1978 gave all municipalities and jurisdictions in the state the ability to use any state-certified inspector to perform the duties as needed. Municipal inspectors have taken the same exams to be state-certified and nationally certified, as have the CID inspectors. Mr. Senoski said there is continuing education to keep these certifications active. Therefore, Mr. Senoski argued, the certificate held by the local jurisdiction inspector should read, as it does for the CID inspector, "State of New Mexico", instead of the location where the CID believes the inspector can only perform duties.

Chris Williams, chair, New Mexico Council of Code Officials, thanked the committee for its support for SB 262, which helped local jurisdictions increase their management flexibility by

enabling the CID to seek new options in the challenge of providing timely inspections. Mr. Williams supported Ms. Martinez's suggestion of a need for third-party inspectors and for inspectors to have multiple certifications to meet the rising challenges presented by sudden increases in local economic activity and unexpected natural disasters of the past several years. In the process of establishing cooperative agreements, the role of a chief building official has emerged. Mr. Williams described the duties and the qualifications for the chief building official, who would serve as a central point of contact in local jurisdictions. The chief building official would serve as the person responsible for interpreting the code in the official's jurisdiction and address those aspects of the interpretation that are relevant for the community.

### **Questions from Committee Members**

A member of the committee asked if limiting inspectors was being done based on commitment or agreement. Ms. Martinez replied that the biggest building piece needs to be added into the statute; it would set a standard and protects residents. Ms. Martinez said that as director, she has the duty to investigate all violations and complaints. The statewide certificates need a control mechanism and the building officials would be placed in their local jurisdictions.

The member of the committee cited page seven of a letter from the AGO, which specifies that the director does not have the authority to limit inspectors. Ms. Martinez pointed out her belief that the opinion does not address the key point and the need for a local building official that would offer protection. The goal is not to limit local jurisdictions but to cut down on waiting time. Ms. Martinez's concern is that local building officials have statewide certification.

Another member of the committee clarified that the debate is on whether the superintendent of regulation and licensing has the authority to grant statewide inspector certification to local inspectors, asking what prevents them from moving around the state and working outside of their jurisdictions. Mr. Senoski replied that there has to be a permit in place from a local jurisdiction if there is a need for additional inspectors. The CID does not have any authority to prevent inspectors moving from one location to another. Qualifications for inspectors are set before certifications are granted.

Members of the committee discussed the need for more clarity on the qualifications of inspectors, issues of jurisdiction and authority over issuing certifications. The presenters requested time to review procedures, taking into account the comments made by members, and to come back before the committee with a more concise description of the issue. A member of the committee suggested that a legislator be included in any potential working group.

A member of the committee noted that the statute was changed and since it is law, it needs to be followed. Mr. Senoski replied that the statute is being followed, but he believes there needs to be improvement.

Members of the committee expressed the need to settle this issue once and for all. A committee member proposed a change in language of the bill, with the addition of language that would read: "upon meeting the qualifications...the director *shall* certify inspectors in one jurisdiction or statewide...". The committee discussed the possible wording changes to address the issue. The

request was made for draft legislation for endorsement at the final ERDC meeting on November 1, 2012.

**Adjournment**

There being no further business before the committee, the fifth meeting of the ERDC adjourned at 12:15 p.m.

**Tour of Mesa del Sol and Albuquerque Film Studios**

Members of the committee and staff toured the Mesa del Sol complex, receiving information about the UNM interdisciplinary film and digital media program. The afternoon concluded with a tour of the Albuquerque Film Studios.

**MINUTES  
of the  
SIXTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**November 1, 2012  
Room 322, State Capitol  
Santa Fe**

The sixth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, chair, on November 1, 2012 at 9:56 a.m. in Room 322 of the State Capitol in Santa Fe.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Bernadette M. Sanchez, Vice Chair  
Rep. Ernest H. Chavez  
Sen. Mary Jane M. Garcia  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez  
Sen. Howie C. Morales  
Sen. David Ulibarri  
Sen. Pat Woods

**Advisory Members**

Sen. Sue Wilson Beffort  
Rep. Zachary J. Cook  
Rep. Sandra D. Jeff  
Rep. James Roger Madalena  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Rep. Richard D. Vigil

**Guest Legislators**

Sen. Carlos R. Cisneros  
Rep. Gail Chasey  
Sen. Nancy Rodriguez

**Staff**

**Absent**

Sen. Mark Boitano  
Rep. Mary Helen Garcia  
Rep. Nate Gentry  
Rep. Dianne Miller Hamilton

Sen. Rod Adair  
Rep. Eliseo Lee Alcon  
Sen. William F. Burt  
Rep. George Dodge, Jr.  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Sen. George K. Munoz  
Rep. Andy Nuñez  
Sen. John Pinto  
Sen. John M. Sapien  
Rep. Thomas C. Taylor

Peter Kovnat, Staff Attorney, Legislative Council Service (LCS)  
Pam Stokes, Staff Attorney, LCS  
Alex Tapia, Intern, LCS

### **Guests**

The guest list is in the meeting file.

### **Handouts**

Handouts and other written testimony are in the meeting file.

### **Thursday, November 1**

#### **Call to Order**

Representative Rodella welcomed everybody to the final meeting of the ERDC. Members of the committee and guest legislators introduced themselves.

#### **Legislative Finance Committee (LFC) Program Evaluation of Job Creation Incentives**

Maria Griego, program evaluator, LFC, explained to the committee the LFC's program evaluation of job creation, highlighting some of the findings and recommendations included in the "Report to the Legislative Finance Committee". The evaluation focused on three incentives designed to spur economic development in New Mexico: the Job Training Incentive Program (JTIP); the Local Economic Development Act (LEDA); and a selection of tax credits administered by the Taxation and Revenue Department (TRD). The primary conclusion of the report was that New Mexico lacks a comprehensive approach for financing and monitoring performance of job creation incentives. In 2009, the LFC had made the following recommendations to improve effectiveness and accountability in economic development programs:

1. prepare a statewide economic development plan that includes a variety of high-performance measures;
2. require incentive agreements;
3. link incentives to performance;
4. establish minimum wage standards for job creation and retention requirements; and
5. require incentive recapture (clawback) for non-performance.

The report noted that while the Economic Development Department (EDD) has implemented portions of these recommendations, the majority of them have not been addressed, which has led to programs being utilized as subsidies instead of as performance-driving incentives and to there being no recourse for the state to recover funds, causing losses to the state totaling tens of millions of dollars. Ms. Griego cited instances where the state has lost out on economic development and substantial funds due to a lack of clawbacks.

Brenda Fresquez, program evaluator, LFC, continued the presentation to the committee by delving into the LEDA program in more detail. State LEDA grants are provided to the local governments to provide for infrastructure such as roads. Ms. Fresquez recommended establishing minimum job creation and retention standards for recipients of state money.

Jonathan Barela, secretary, EDD, responded to the report by the LFC, stressing the complexity and non-competitiveness of the New Mexico tax code. Of the 350 tax deductions, credits and incentives, only five percent go to direct job creation. A high corporate income tax requires adding incentives, cuts and credits to make New Mexico more competitive. Secretary Barela explained that most of the jobs that New Mexico has lost have been lost to other states, not outsourced to other countries, increasing state-to-state competition. New Mexico's anti-donation clause is unique in that it prohibits direct contributions to companies, which may hinder the state's competitive position.

Secretary Barela highlighted some of the successes of the JTIP and LEDA program for the committee, including the fact that other states have replicated the JTIP. The EDD will be requesting \$4.75 million for JTIP funds in the upcoming legislative session. The EDD received \$63.6 million in capital outlay appropriations for LEDA projects from 2007 to 2011; however, \$37.9 million, or 59.6%, of those funds were special appropriations to four projects: Schott Solar, Hewlett Packard, Fidelity Investments and Santa Fe Studios. Of the remaining \$25.7 million appropriated for LEDA projects, all but \$2,550,000 went to projects outside of Albuquerque, Rio Rancho, Las Cruces and Santa Fe. Secretary Barela emphasized that 90.1% of the appropriated LEDA funds were awarded through the EDD's vetting process to projects in rural areas.

Tom Clifford, secretary, Department of Finance and Administration, said that he views tax incentives as trade-offs. Economists, Secretary Clifford explained, prefer the government to be involved as little as possible in promoting economic growth. The amount of oversight requested by the LFC adds a level of complexity, and the more requirements that are in place, the more the purpose of the incentives may be mooted. Secretary Clifford said that he views the LFC report as being negative toward tax incentives, adding that annual reporting on tax expenditures is very expensive and may not be cost-effective. He feels that a better approach would be targeted detailed analysis — asking an auditor to review specific programs.

### **Questions from Committee Members**

Members of the committee asked questions about the report, which the presenters from the different agencies answered. Members asked about the cost of job creation, tracking incentives and specific projects like Santa Fe Studios.

A member of the committee requested a breakdown of the \$7.9 million appropriated during the last legislative session. Secretary Barela stressed the importance of the JTIP and offered to follow up with a breakdown of how the money was spent. Secretary Barela told the ERDC that information about the program and the companies that have received assistance can be found on the EDD web site. Information about the JTIP board, which is composed of governor-appointed representatives of public education and financial institutions, and its meetings can also be found on the web site.

A member of the committee asked where the state stands in terms of developing a system to evaluate New Mexico's tax expenditures. Secretary Clifford explained that there currently is not enough staff available to prepare the type of reports that the LFC is requesting. Secretary Clifford reiterated that a detailed analysis of a particular program, or a few programs, is the most efficient method of evaluation.

A member of the committee asked Secretary Barela if the EDD has a liaison for Native American issues. Secretary Barela responded that currently it does have a liaison and has expanded to the different districts. He said that the EDD takes tribal economic development very seriously and offers an additional incentive in JTIP for jobs created on tribal lands. In addition, Secretary Barela said, the EDD is in the process of adding an African American chamber of commerce, which will work with the Hispanic chambers of commerce in the state.

A member of the committee asked if LEDA or JTIP is playing any role in the development of the Spaceport and asked about the informed-consent issue. Secretary Barela informed the committee that 12 other states have plans for a spaceport, and if the informed-consent law is not addressed soon, New Mexico will be bypassed. The Spaceport's only tenant, Virgin Galactic, has recently completed the process and received a certificate of occupancy.

### **Approval of Minutes**

Upon a motion by Representative Lundstrom, seconded by Senator Morales, the committee voted unanimously to approve the minutes of the fourth and fifth meetings of the ERDC.

### **Proposed Legislation for Committee Endorsement**

The following legislation was presented to the ERDC for committee endorsement.

#### **Rulemaking Consistency Bill: 202.190092.1**

This bill, relating to rules, creates requirements for proposing, adopting, amending or repealing rules. Senator Sanchez made a motion for committee endorsement of the bill, seconded by Senator Martinez. It was suggested that Senator Keller carry the bill with the help of Representative Lundstrom.

#### **Kitchen Accelerator Program Appropriation Bill: 202.190466.3**

This bill provides an appropriation of \$350,000 for a project to accelerate the growth of food entrepreneurs by working with multiple rural communities to develop their respective food assets to create a statewide cohesive food infrastructure. There was discussion among committee members of

the dollar amount of the appropriation. Members of the committee suggested an increase to a one-time appropriation of \$1.4 million because of concern that funding could be cut off before the program becomes sustainable. A motion to amend the amount from \$350,000 to \$1.4 million was made by Representative Lundstrom and seconded by Senator Sanchez. A motion for committee endorsement of the bill, as amended, was made by Senator Garcia and seconded by Senator Sanchez. Representative Chavez will carry the bill.

### **MainStreet Bills**

#### *202.190468.1*

This bill provides an appropriation of \$100,000 for services to MainStreet programs. The committee endorsed the bill, and Senator Beffort will carry it in the senate and Representative Herrell will carry it in the house.

#### *202.190469.1*

This bill provides an appropriation of \$100,000 to create the Frontier Communities program. Representative Lundstrom moved for committee endorsement of the bill, seconded by Senator Beffort. Representative Lundstrom and Senator Woods will co-sponsor the bill.

#### *202.190467.2*

This bill provides an appropriation of \$100,000 for amending the Arts and Cultural District Act by clarifying the types of arts and cultural districts and designation procedures and by permitting arts and cultural districts for tribal entities. Allison Smith, lobbyist, New Mexico Coalition of MainStreet Communities, said that the bill includes only minor changes to the act, which changes are intended to clean up language and make the act more clear. Senator Beffort moved for committee endorsement of the bill, seconded by Representative Jeff. Both Senator Beffort and Representative Jeff will carry the bill.

### **Individual Development Account Appropriation Bill: 202.190503.1**

This bill is an appropriation of \$500,000 for New Mexico individual development accounts and was brought before the committee as requested by Senator Keller. After discussion, the committee came to a consensus not to endorse the bill.

### **University of New Mexico Design and Planning Assistance Center Appropriation Bill: 202.190567.1**

This bill provides an appropriation of \$100,000 to the Board of Regents of the University of New Mexico to expand the community outreach activities of the Design and Planning Assistance Center at the School of Architecture and Planning. There was discussion among committee members of whether this bill should be a special program under the higher education budget. A member of the committee noted that this is a new program that would complement the bills on frontier communities and MainStreets, providing great opportunities for communities that lack the budgets for designers. Representative Herrell moved for committee endorsement of the bill, and the motion was seconded by Senator Beffort. Senator Beffort will carry the bill.

### **Construction Inspector Bills**

These bills were discussed in depth during the fifth meeting of the ERDC on October 2, 2012 in Albuquerque. Testimony and discussion can be found in the minutes of that meeting.

*202.190381.3*

This bill requires the Construction Industries Division (CID) of the Regulation and Licensing Department (RLD) to certify inspectors to inspect statewide. A member of the committee provided the historical background on the issue and the need for the amendments. Representative Rodella asked for audience feedback, and it was determined that there were still differing opinions on the matter. After lengthy discussion of the bill, Senator Sanchez moved to endorse the legislation. The motion was seconded by Representative Lundstrom, and the committee requested that Representative Gentry carry the bill.

*202.190387.1*

This bill contains provisions for amending, repealing and enacting sections of the NMSA 1978 to provide for powers and duties of local government chief building officials; changing Construction Industries Commission authority over local government inspectors; and providing a penalty. It was noted that the bill is an updated version of the bill carried by former Senator Clinton D. Harden, Jr., in 2010. After discussion by the committee, and upon hearing feedback from members of the construction industry and stakeholders, the committee opted not to endorse the legislation.

*202.190415.5SA*

This bill amends the Construction Industries Licensing Act to accommodate statewide inspector's licenses; establishes certified building officials; and allows for independent inspection services companies. It was noted that the bill was brought before the committee by the RLD and has been reworked numerous times. Katherine Martinez, director, CID, explained to the committee the changes and additions in the draft legislation. Members of the audience were asked to provide input on the proposed legislation, and it was evident that there remains a significant amount of disagreement on the issue. The committee decided not to endorse the bill at this time, and it was suggested that construction industry representatives and stakeholders get together to come up with new draft legislation.

*202.190533.2*

This bill amends the Municipal Code to provide for chief building officials and to require the CID to certify inspectors to inspect statewide. The legislation was brought before the committee at the request of the New Mexico Council of Code Officials. After discussion and input from members of the construction industry, the committee decided not to endorse the legislation.

### **Program to Attract and Retain Businesses in New Mexico Bill: 202.190589.1**

This bill is an appropriation of \$880,000 to the EDD to support a program to attract and retain businesses in the state and to create jobs in New Mexico. After discussion by the committee, Representative Herrell moved to endorse the bill. Representative Lundstrom seconded the motion and requested that she carry the bill.

### **Telecommunications Bills**

These bills were discussed in depth during the fourth meeting of the ERDC on September 20, 2012 in Gallup. Testimony and discussion can be found in the minutes of that meeting.

#### *202.190500.3*

This bill amends the Rural Telecommunications Act of New Mexico to change regulation of incumbent rural telecommunications carriers. After discussion of the proposed legislation, Senator Sanchez moved for committee endorsement of the bill, and Senator Garcia seconded the motion. Representative Rehm requested that the record reflect his vote in opposition. The ERDC recommended that the bill be carried by a legislator who is a member of the Science, Technology and Telecommunications Committee.

#### *202.190501.2*

This bill amends the utility and carrier inspection fee. Representatives from the New Mexico Exchange Carrier Group and the Public Regulation Commission expressed the need for the legislation, which would create a level playing field for all telecommunications companies and provide clarity in ongoing litigation. The ERDC debated over language in the draft legislation that could cause confusion. Senator Beffort made a motion to change "transmission company" to "telecommunications transmission company". The motion to change the language was seconded by Representative Lundstrom. Senator Ulibarri moved for committee endorsement of the draft legislation, as amended. The motion was seconded by Representative Jeff, who will carry the bill along with Senator Beffort.

### **Adjournment**

The committee recognized members of the committee who would not be returning for the 2013 session for their contributions to the ERDC and the New Mexico Legislature.

There being no further business before the committee, the sixth and final meeting of the ERDC for the 2012 interim adjourned at 4:36 p.m.