

# Economic Development Department



**Jon Barela, Secretary**  
Legislative Finance Committee Hearing  
November 19, 2014

# Economic Development Department FY14 Legislature - Thank You

- ▶ \$15 million LEDA
- ▶ \$500,000 MainStreet Frontier Communities Initiative
- ▶ \$1.5 million JTIP
- ▶ \$130,000 Certified Incubators
- ▶ \$100,000 Technology Research Collaborative
- ▶ \$930,000 New Mexico Partnership
- ▶ \$89 million in water infrastructure projects

# Economic Development Department

## Department Update - Key Initiatives

- ▶ Improving the Tax Climate
  - ❖ Ernst & Young January 2014 report ranking NM the most competitive state in the nine-state western region for manufacturing as a result of the bi-partisan jobs package passed and signed into law
- ▶ April 2013 - Governor signed the NM Jobs Package into law
  - ❖ 22 percent reduction in CIT (Corporate Income Tax) by Jan 2018
  - ❖ Elective Single Sale Factor for manufacturers without an investment threshold phased in over 5 years beginning at 50% in 2014
  - ❖ GRT (gross receipts tax) exemption for manufacturers and construction projects
- ▶ Department exceeded jobs performance measure 2 years running >6,700 jobs
- ▶ LEDA completed 10 projects for \$3.3M representing 543 jobs
- ▶ FUNDIT - assist rural infrastructure and business development projects - developed from the Rural Economic Development Council

# Economic Development Department Department Update - Key Initiatives, cont.

- ▶ MainStreet Place Economics Report
  - ❖ Since inception for each dollar the state invested the private sector invested \$21.89 in building rehabilitations and \$22.00 in new construction
  - ❖ During the recession, MainStreet districts continued to see job growth
- ▶ MainStreet added 101 new businesses in 2014 for 580 jobs and completed 162 building rehabilitations
- ▶ MainStreet currently supports 48 communities across rural New Mexico, including Arts and Cultural Districts, Frontier and Emerging communities, historic plaza, Native American and rural movie theatre programs
  - ❖ Staff will be augmented adding a deputy director to assist Rich Williams
- ▶ Thriving Borderplex - strong growth due to UP Intermodal Rail Facility; the locomotive fuel tax deduction and the overweight cargo zone

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## Department Update - Key Initiatives, cont.

- ▶ In FY14 1,785 jobs were created in the Borderplex region
  - ❖ Union Pacific \$400 million project officially opened
  - ❖ Bi-National community - inland port of choice for the Americas
- ▶ Rural Economic Development
  - ❖ NMEDD provided funding to the Rio Grande CDC to create a sustainable commercial kitchen model for the Food Hub project in Española and potentially to other rural food projects
- ▶ Office of Science and Technology
  - ❖ Hired a Science and Technology Manager and have started drafting the state Science and Technology Plan
  - ❖ Convened the private sector Technology Research Collaborative members for orientation
  - ❖ Will convene the full TRC membership in January and put in place a plan of work to support potential funding in 2015 legislative session
- ▶ “Innovation Creates Diversification” - the state’s 5-year strategic plan is completed

# Economic Development Department

## FY15 Progress

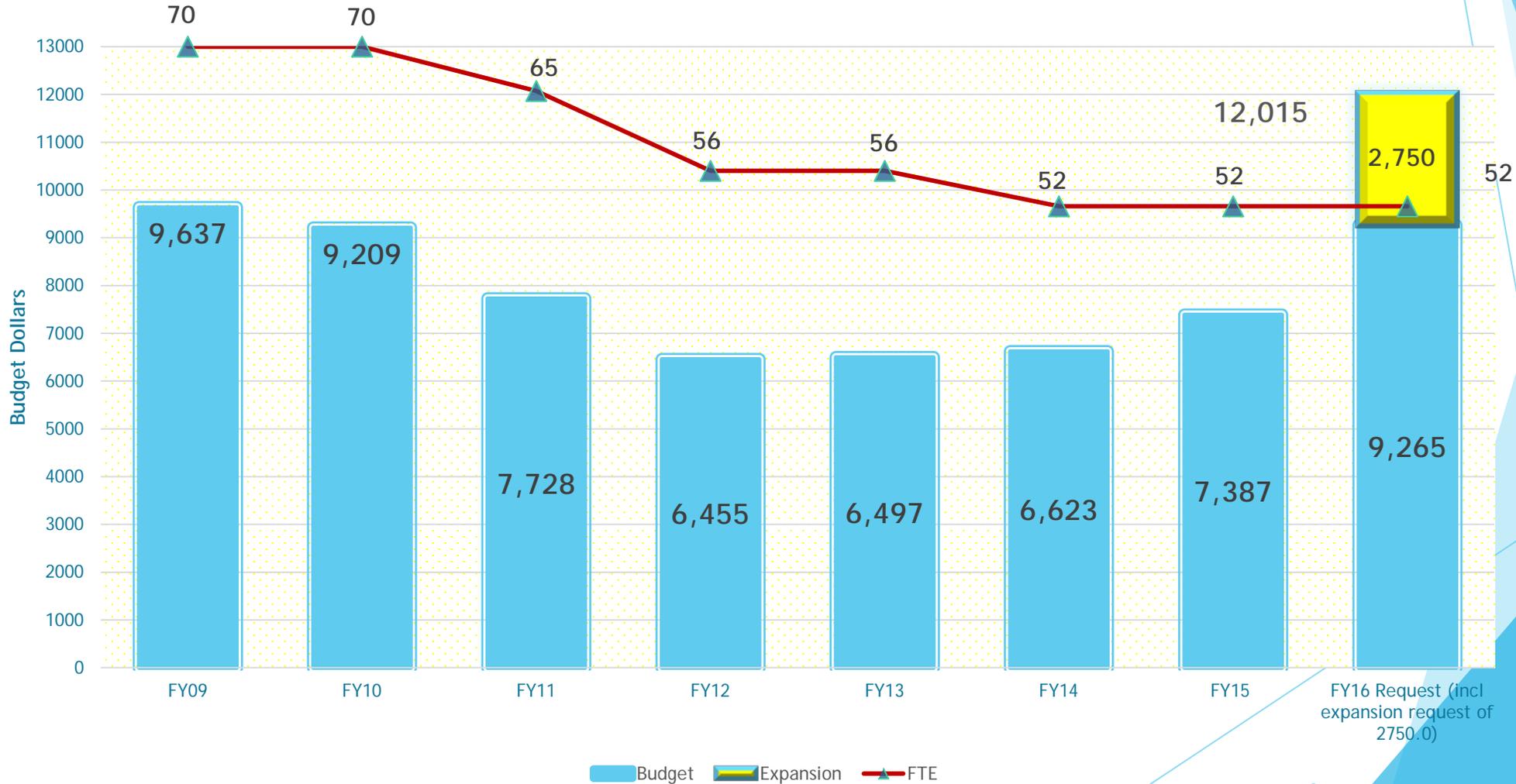
- ▶ As of November 1, 2014, 2,632 jobs have been announced representing 87.8% of the annual target of 3,000 new jobs.
- ▶ Success largely due to LEDA
- ▶ Projects assisted represent communities across the state
- ▶ In FY15-Q1 five large projects contributed significantly to the new jobs for the quarter:
  - ❖ Accurate, Los Lunas, 250 (Advanced Manufacturing)
  - ❖ PESCO, Farmington, 150 (Energy & Natural Resources)
  - ❖ Santa Fe Brewing, 105 (Value-Added Agriculture)
  - ❖ S & P Data, Rio Rancho, 425 (Back Office & Technical Support)
  - ❖ Google, Moriarty, 200 (Aerospace & Aviation)
- ▶ The Local Economic Development Act (LEDA) is one of the most effective tools for a community in need of critical infrastructure supporting economic growth. EDD has \$15 million in LEDA funding in FY15.
  - ❖ \$10 million GF must be spent in FY 15 and is committed; Pipeline exceeds the \$5M Capital Outlay funds remaining
  - ❖ Thirteen projects were funded in the first quarter representing \$4,480,237 in LEDA funds and \$115,050,000 in private sector investment. Only four of those projects are in urban areas; nine rural projects were funded.
  - ❖ Ratio private sector investment leveraged by LEDA dollars is 12 to 1 - more than twice the target of 5 to 1.

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## FY15 Progress, cont.

- ▶ The Office of International Trade continues to introduce New Mexico companies to global markets.
  - ❖ Mexico trade has grown from \$429 million to over \$1B in four years
  - ❖ Overall international trade is at all time high and is set to break record of \$2.96 billion
  - ❖ STEP grant renewed at \$197,500
- ▶ Under the MainStreet Historic Theaters Initiative three rural theaters will receive LEDA funding for digital conversion: the Lea Theater in Lovington, the Silco Theater in Silver City, and the Lyceum Theater in Clovis.
  - ❖ In addition, 51 building rehabilitations were completed in MainStreet communities during the first quarter.
- ▶ Governor Martinez announced \$100K for the Taos Food Center
- ▶ The Film Office announced seven major productions during the quarter, two television series and five feature films
- ▶ Nineteen companies participated in the Job Training Incentive Program (JTIP), including five rural; \$2.5 million was allocated to train 340 New Mexicans.
- ▶ The department is redesigning its website to include the creation of the Business Resource Center.

# Economic Development Department Budget and FTE History





# Economic Development Department FY16 Base Increase

- ▶ Increase of \$1.9M or 25% over FY15 Op Bud
  - \$1.5M - JTIP Recurring
  - \$217K - Funding for 4 critical positions hired in FY14 that were vacant for 2+ years
  - \$161K - Funding to fill 2 vacant positions in the Film Office
- ▶ Without JTIP request, increase is 5% or \$378K
- ▶ Request does not contain any increase in FTE

# Economic Development Department FY16 Expansion Request

- ▶ Expansion Request is \$2.75M
  - \$750K - MainStreet Expansion
  - \$2M - Technology Research Collaborative (TRC) to accelerate the formation and growth of technology commercialization
- ▶ Expansion request does not include FTE increase

# Economic Development Department FY 15/16 Special Requests

- ▶ \$5.5M - JTIP (cover \$3M shortfall in FY15 and \$2.5M for FY16)
- ▶ Change LEDA language - \$10M FY15 Special Appropriation expiration date to extend until FY16

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Questions?