

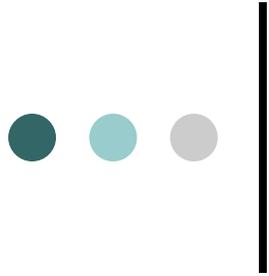


Successes, Challenges and Legislative Priorities of the Economic Development Department

Presented to the
Economic & Rural Development
Committee

Secretary Jon Barela

June 6, 2012



Good News

- 9 Consecutive Months of Job Growth Following Losses in 32 of the Preceding 33 Months
- New Mexico Unemployment Rate was 6.9% Compared to 8.1% Nationally (April)
- Modest Growth (1.6%) in Manufacturing Sector
- Transportation & Warehousing Sector Grew 4.7%
- Mining Employment Continues to Increase
 - Logging Showing Strongest Growth at 11.4%
 - Average Weekly Wage in Mining Sector: \$1,416
- Business Facilities Ranks NM 8th in Business Growth Potential

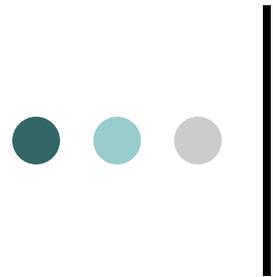


Table of Contents

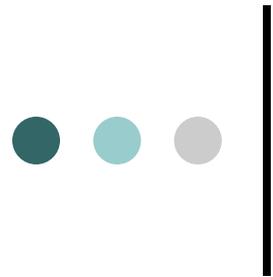
- 2011/2012 New & Expanding Businesses
- Program Successes
- EDD Initiatives
- Challenges
- Legislative Initiatives 2012 and 2013
- Department ROI



2011/12 New & Expanding Businesses

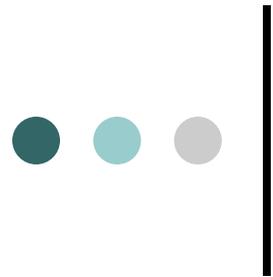
Interceramic
Preferred Produce Inc.
Bendix/King
Alaska Structures
SITEL
Vangent
L&M Radiator Inc.
Lowe's
Tempur-Pedic
General Mills

Union Pacific
TE Connectivity
Snap Green Industries
IECSA and Plastics, LLC
Affiliated Computer Services
MSR-FSR
Federal Rated Security
Technologies
Joule Unlimited Inc.
Beauty Health and Science
Innovations, Inc.



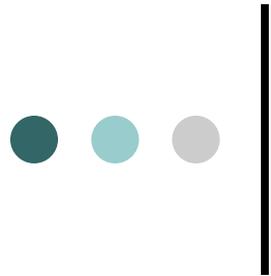
Program Successes

- Job Training Incentive Program (JTIP)
- Office of Business Advocacy (OBA)
- Film Office
- International Trade
- MainStreet and Arts & Cultural Districts
- Finance Programs



Job Training Incentive Program

- Funded Projects Statewide include Rural Areas such as Corona, Corrales, Hobbs, Ranchos de Taos, Ruidoso Downs, and Santa Teresa
- 30 Projects Funded (9 Rural)
- \$4.6 Million Awarded (\$1.1M Rural)
- 1,013 Jobs Created (184 Rural)
- Average Wage = \$19.95
- FY13 Appropriation for JTIP = \$7.9M

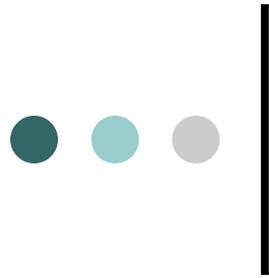


Office of Business Advocacy

The Office of Business Advocacy was Created in January 2011 as a Direct Initiative from Governor Susana Martinez and Secretary Barela.

Mission

- Advances New Mexico Businesses and Enterprises with Tools to Expand or Retain Employees
- Enables Business Owners to Break Through Regulatory Roadblocks and Red Tape
- Help Navigate State Government by Providing Assistance with Permitting, Licenses, Inspections, and Taxation Issues
- Resolves Challenging Bureaucratic, Intergovernmental, and Public Policy Problems Adversely Affecting Business in New Mexico

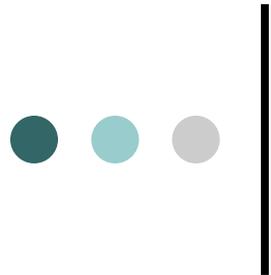


Office of Business Advocacy Results

- Case Load Improves Business Climate:
 - 132 total business cases
 - 47 closed cases
- Case Load by Area, Jobs Created and Saved:
 - 78 Rural Companies
 - 54 Urban Companies
 - Jobs Created FY 2012
 - 528 Rural Jobs
 - 86 Urban Jobs
 - Jobs Saved FY 2012
 - 204 Rural Jobs
 - 44 Urban Jobs



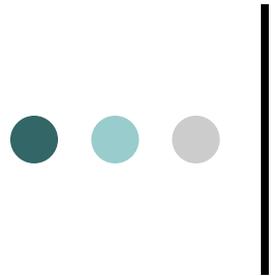
- Major Productions:
 - Three Television Series
 - Three Major Features
 - Two Pilots
 - Three Independent Features
 - Increased Activity in Commercials
- FY12 YTD Results:
 - 38 Total Projects (with Budgets over \$1M)
 - \$155.2M in Direct Spend
 - \$7M in Credits Awarded
 - 115,000 Worker Days (NM Crew X Days Employed)



International Trade

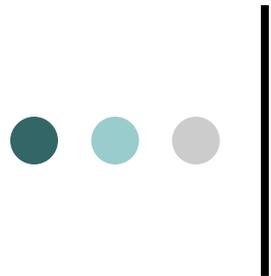
Tremendous Growth in New Mexico Exports

- NM Export Growth Rate is the 3rd Largest Among the 50 States (versus 38th in 2010)
- NM Exports to Over 210 Foreign Markets Worldwide
- Over 1,000 NM Companies Exported Products; Many Small and Medium-Sized Enterprises
- NM Increased Worldwide Exports by 36% in 2011 to \$2.1 Billion
 - \$182 Million Agriculture – Highest Ever
 - Aviation and Scientific Equipment
 - Potash
- New Mexico's Exports to Mexico Increased 9.5% in 2011
- An Estimated 14% of All Manufacturing Jobs in New Mexico are Dependent on Exports
- According to US Department of Commerce Statistics, Exporters Recorded a 32% Increase in Revenue versus a 9% Decrease in Revenue for Non-Exporting Companies



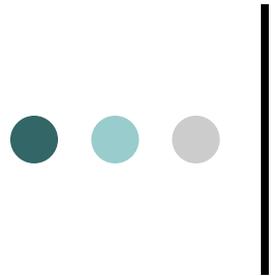
MainStreet and Arts & Cultural Districts

- MainStreet
 - 467 Jobs Created
 - Private Sector Reinvestment - \$9,036,884
 - 103 New Businesses
 - 101 Building Rehabilitations
 - 17,580 Volunteer Hours
- Arts & Cultural Districts
 - Los Alamos, Raton, Taos Adopted ACD District Cultural Plans
 - Las Vegas, Los Alamos, Silver City Adopted Master Plans
 - ACD Pedestrian Signs up in 5 of 6 Communities



Arts & Cultural District Projects

- Taos - Historic Plaza Renovation Phase 1
- Los Alamos - The Next Great Idea Event (Science and the Arts)
- Silver City - First Annual Festival of Clay (Signature Event)
- Las Vegas - 3rd Friday Art Crawls at District Galleries
- Raton - Development of Theatre Arts Program for Young People

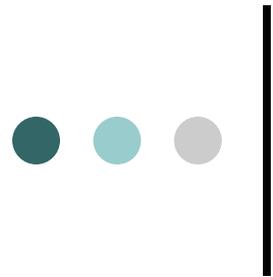


Finance Programs

- Collateral Support Program (State Small Business Credit Initiative)

New Mexico Authorized to Receive \$13,168,350

- EDD is the State Director of Funds, Collaborating with the New Mexico Finance Authority
- 4 Projects Approved and Closed
- \$2,813,975 Total Capital Investment
- 11 Total Direct Jobs Created
- 350 Total Construction Jobs (Estimate)



Finance Programs (cont.)

- New Markets Tax Credit (NMTC)

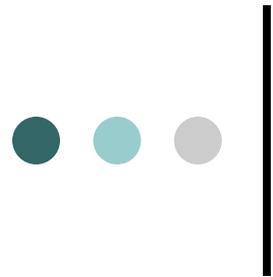
\$156,000,000 in Tax Credit Allocations Awarded to New Mexico

- 9 projects Funded by NMTC:
 - \$124,346,000 Total Capital Investment
 - 1,203 Total Direct Jobs to be Created
 - 1,375 Total Construction Jobs (estimated)



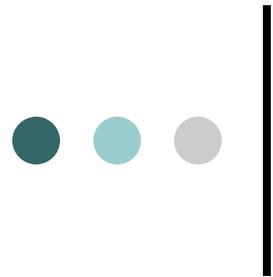
EDD Initiatives

- Data Center/Web Site
- 8 Target Industry Clusters
- Film, Digital and Emerging Media
- Rural Economic Development Council
- Business Incubator Program
- Community Development
 - Certified Communities Program Redesign
 - Native American Projects
 - MainStreet and Arts & Cultural Districts
 - Outreach Initiative



Data Center/Web Site

- Redesigned
- Promotes Target Industry Clusters
- Showcases New Mexico Communities
- Provides Searchable Database of Commercial Properties for New Businesses
- Provides Data for Grant-Writing and Special Projects
- Compares New Mexico to Other States



8 Target Industry Clusters

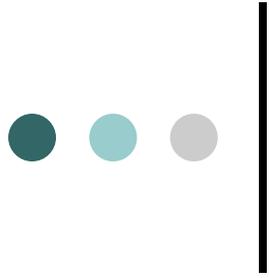
Quantify New Mexico's Assets and Industry Presence in Each, Identify High-Growth Companies

- Energy and Natural Resources
- Aerospace and Defense
- Value-Added Agriculture
- Technology Commercialization
- Distribution, Logistics & Transportation
- Advanced Manufacturing
- Digital Media
- Back Office & Technical Support



Film, Digital and Emerging Media

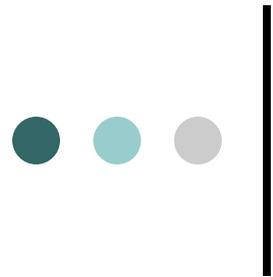
- Production Recruitment
- Study of 25% Refundable Film Production Tax Credit
- Digital and Emerging Media
- Film Tourism
- Outreach



Rural Economic Development Council

Goals:

- Preserve Rural Quality of Life
- Identify Sustainable Industries such as Agriculture and Extractive Industries
- Support Regional Problem Solving
- Promote Collaboration and Cooperation
- Ensure Statewide Participation in ED Incentives and Programs
- Specialized Training, Technical Assistance and Access to Economic Development Services

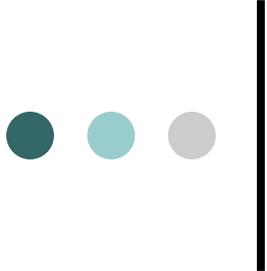


Business Incubator Program

In 2011 New Mexico's Five Certified Business Incubators Assisted 102 Tenant Businesses, Representing 689 Direct Jobs

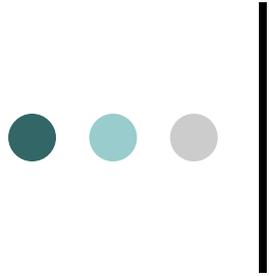
Tax Return to Both the State and Local Governments:

- \$31.5M to New Mexico
 - \$20.5M to Local Governments
 - Total of \$52M
- Rate of Return to the State for its Investment: 4,260%
(1 to 43)



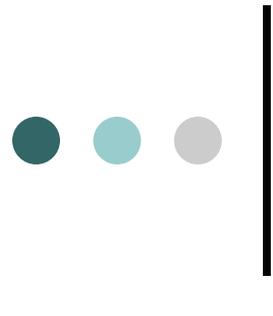
Certified Communities (CCI) Program Redesign

- Design Program to Respond to Community's Needs
- Current Status (FY12):
 - 36 communities: 30 Rural and 6 Urban
- New changes to the CCI Program in FY13:
 - Requires a Paid Full-Time Economic Developer
 - Encourage Regional Applications
- Technical Assistance for Communities That Cannot Meet Application Requirements
- End-of-Year Report Required of Funded Communities to Track the Use of Resources and Measure Results



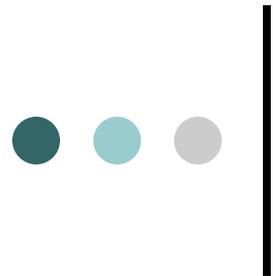
Native American Response

- Reorganized Department Around Five Tribal Liaisons (Regional)
- Most State Agencies Have Only One Tribal Liaison
- Four of the Five Liaisons Have Completed the Cultural Competency Training
- Two Native American Communities Participating In the Certified Communities Program
 - Pueblo of Pojoaque and Pueblo of Acoma.
- Projects Underway at Four Pueblos and Navajo Nation



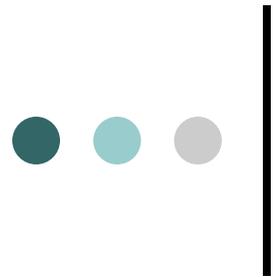
Native American Projects (cont.)

- EDD Office of Business Advocacy Working with the Mescalero Apache Tribe Business Consultant to Explore New Markets for Small Diameter Forest Products
- The Small Diameter Saw Mill in Mescalero Reopened Spring 2012
- NM Department of Indian Affairs Requested Research Assistance to Identify New Market Opportunities for Forest Products on the Navajo Nation



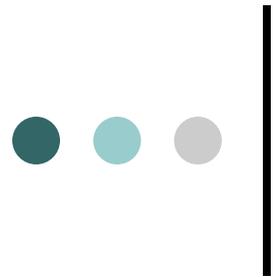
MainStreet and Arts & Cultural Districts

- Village Plaza Revitalization: Doña Ana
 - Commercial Kitchen, Farmers Market
- Native American MainStreet: Zuni Pueblo
 - First Native American MainStreet in U.S.
- Downtown Master Plans: Cultural Plans, MRA/TIF Districts
 - Las Vegas, Los Alamos, Raton, Roswell, Silver City, Taos



Outreach Initiative

- Secretary Barela has Visited 31 of 33 Counties
- Visited 100 plus Companies to Discuss Expansion Opportunities
- Speaking Engagements – Approximately 3 per Week



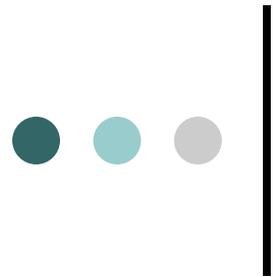
Challenges

- Zero LEDA/Capital Outlay Funding (No Closing Fund)
- Diminished Capacity for MainStreet Demand
- Capital/Financing Programs for Communities
- Infrastructure Gaps
- Regulatory Impact
- Workforce
- Reduced Federal Spending



Zero LEDA/CO Funding

- No Closing Funds to Recruit, Retain or Expand Businesses to Create Jobs
- No Appropriations Have Been Made to Economic Development Department since 2008
- City of Austin Committed an \$8.6M Economic Development Grant to Apple (Over Ten Years) for the Creation of 3,665 New Jobs (Texas Committed an Additional \$21M From its Enterprise Fund)

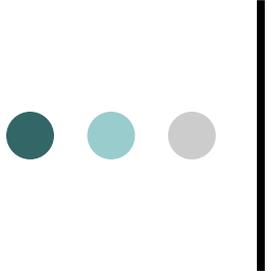


MainStreet Demand

- 17 Communities Seek Designation and Services

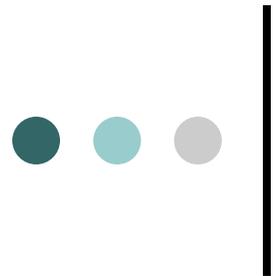
National Main Street Center Standards:

- \$35,000 Per Year Per Existing Community
- \$50,000 For Each Emerging Community



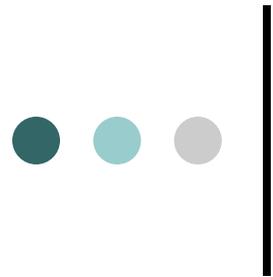
Capital/Financing Programs for Communities

- Underutilization of Improvement Districts (i.e., TIF, TIDD, BID)
- Enactment and Adoption of Local Options Gross Receipts
 - Currently There are 7 Political Subdivisions with LOGRT Enacted (less than 1% of the communities in the state)
- CDGB Untapped Potential
- Backlog of 17 Communities Seeking MainStreet Designation
 - \$78,000,000 Backlog of Capital and Infrastructure Improvements
- Lack of Funding for Arts and Cultural Districts Program
- Backlog of 13 Communities Seeking Arts & Cultural District Authorization



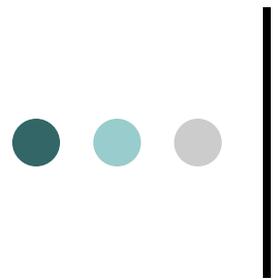
Infrastructure Gaps

- Roads
- Broadband
- Rail
- Water Systems
- Housing



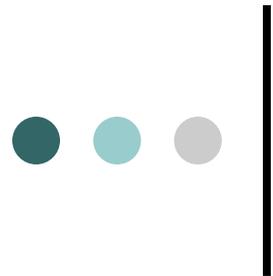
Regulatory Impact

- Regional Representatives Completing Business Surveys Statewide
- Continue to Identify and Address Issues



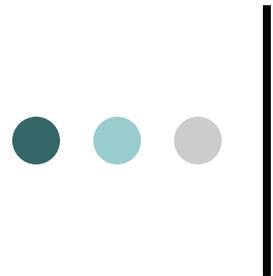
Workforce

- Uneven Labor Supply
 - Full Employment in Southeastern Part of State versus Higher Unemployment in Other Parts of New Mexico
 - High Demand for Specific Job Classifications Such as Welders, Truck Drivers
 - Long Term Workforce Development
 - Potential Loss of Super Skilled Jobs Due to Federal Downsizing



Reduced Federal Spending

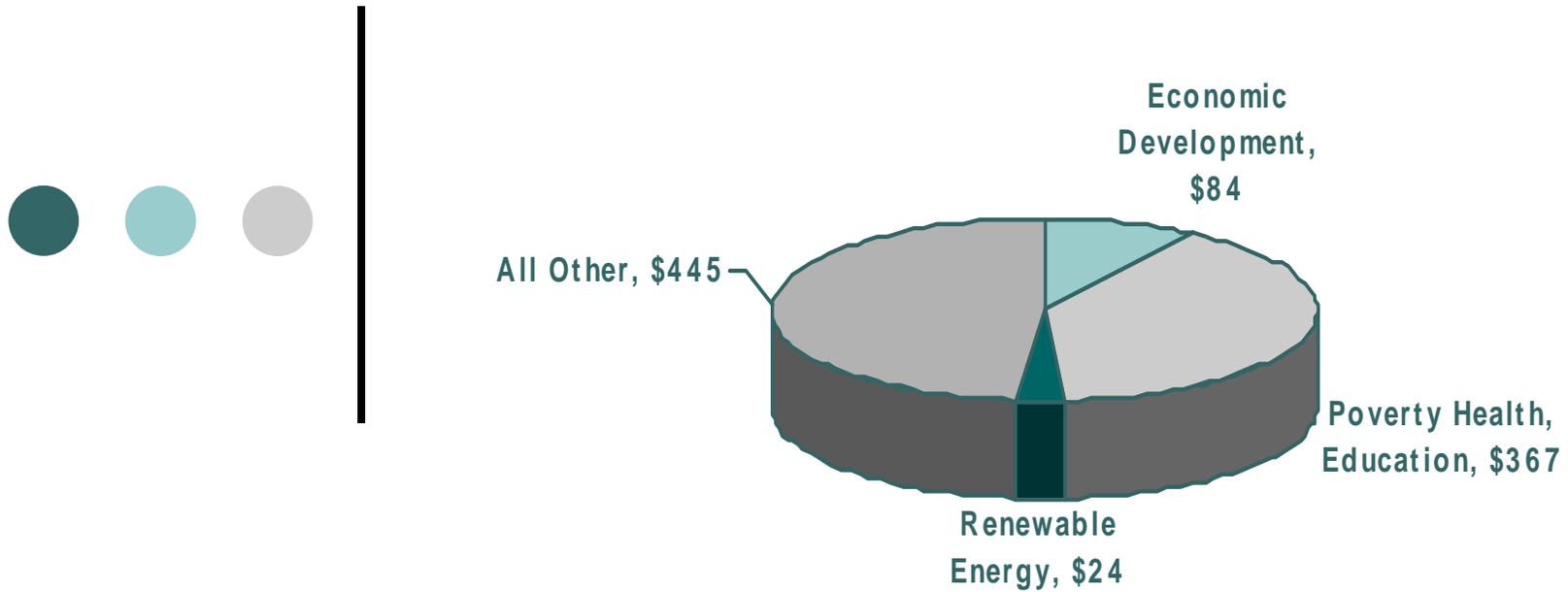
- LANL Jobs Reduction; Reduced Local Expenditures
- Approximately 33% of Local Budget is Spent in Northern New Mexico
- BBER Estimates that 2013 Budget Cuts will Cost New Mexico 20,000 Jobs
- A Task Force will Evaluate How the State Can Better Maximize Federal and Military Dollars While Also Leveraging the Potential of Spaceport America
 - Purpose of the Task Force is to Increase the Private Defense, Aerospace and Technology Industry by Positioning New Mexico to Compete with Other States and Increase Private Sector Growth



Legislative Initiatives 2012 & 2013

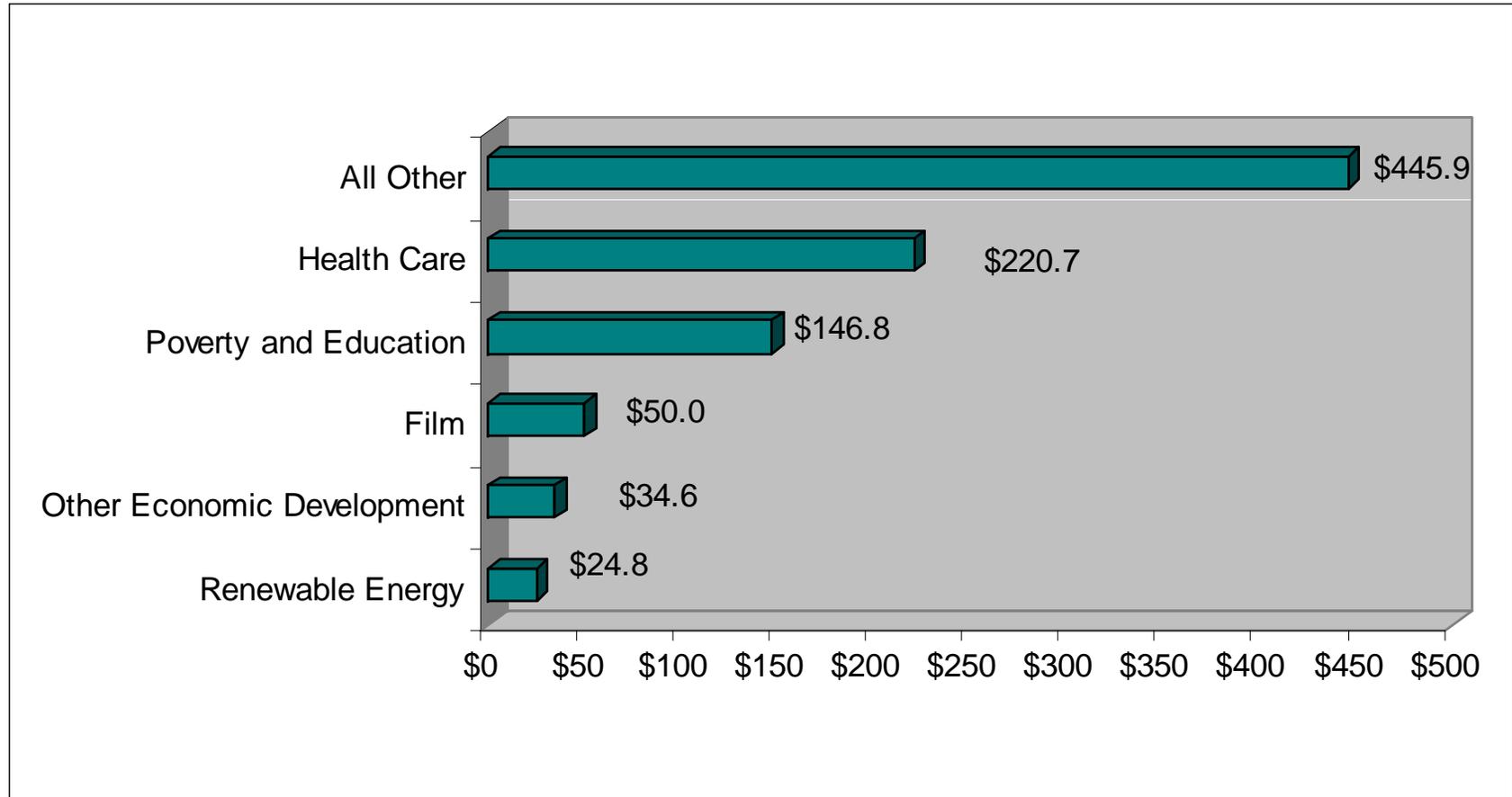
- Chart of Expenditures
- 2012 Results
- 2013 Legislative Discussion
 - High Wage Jobs Tax Credit
 - Rural Jobs Tax Credit
 - MainStreet and Arts & Cultural Districts
 - LEDA/Capital Outlay
 - Business Incubator Program

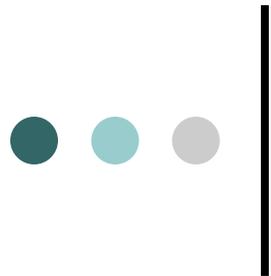
Total All Expenditures: Credits, Deduction, & Exemptions



- Almost all ED tax expenditures created in last 10 years – many see little activity
- All Estimated for FY13 - \$922 Million

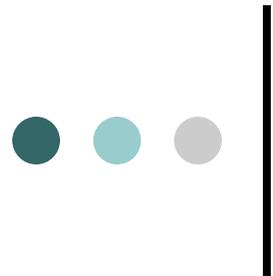
FY13 General Fund Estimated Impact of Tax Expenditures (Millions)





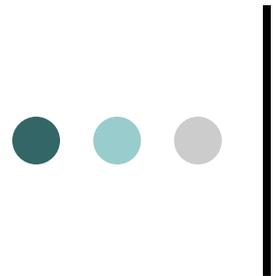
Success: 2012 Legislative Session

- HB 123 Angel Investment Tax Credit
 - Extended Through 2016
- HB 184 GRT Deduction:
 - Manufacturing Inputs & Construction Services
 - GRT/Comp Tax Deduction for Lease of Construction Equipment
 - Reduced GRT Pyramiding that Cost Jobs
- HB 116 GRT Deduction for Electric Conversion Facilities
 - Recruited Tres Amigas to New Mexico



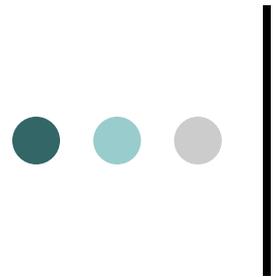
2012 Legislative Successes (cont'd.)

- HB 201 Geothermal Resources for Power Generation
 - Incented Geothermal Power Plant by Eliminating Unnecessary Regulatory Hurdles
 - 100% Clean Energy
- SB 23 GRT Deduction for Uranium Hexafluoride
 - Clarified Application of Credit Used to Recruit Urenco to New Mexico



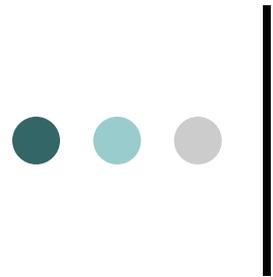
2013 Legislative Initiatives

- High Wage Jobs Tax Credit
- Rural Jobs Tax Credit
- MainStreet and Arts & Cultural Districts
- LEDA/Capital Outlay
- Business Incubator Program



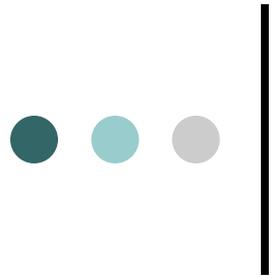
High Wage Jobs Tax Credit

- Close Loopholes to Limit Foregone Revenue
 - One-Year Statute of Limitations
 - Jobs Created through Mergers and Acquisitions of Existing Employers are Not “New” Jobs
 - Increase Wage Threshold to Qualify for Credit
 - Re-Define “Urban” and “Rural” Areas
- Provide Certainty and Predictability to Businesses
 - Provide Clearer Definitions of “Wages” and “Benefits”
 - Re-Define “Eligible Employer” to Ensure Credit Targets Desired Industries



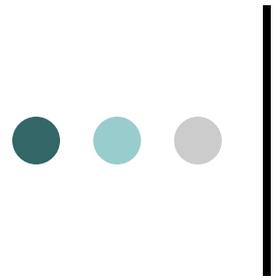
Rural Jobs Tax Credit

- Require Businesses to be *Eligible for JTIP* to Qualify for Credit (Rather Than JTIP Application)
 - Broadens Accessibility for Small Rural Businesses



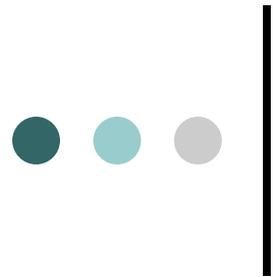
MainStreet and Arts & Cultural Districts

- Demand Pressure on MainStreet Operating Funds to Add New Communities
 - Addition of Village Plaza and Historic Theatre Initiative for Non-MainStreet Communities
 - Borrowed Against MainStreet to Fund Early Adopter Arts and Cultural Districts
 - Doubling of State Tax Credits for Commercial Rehabilitation in MainStreet Districts
- MainStreet Capital Outlay Process is Reliable and Effective – Moves Money in 2-year Cycles
- Cultural Fund at Department of Cultural Affairs
- Arts and Cultural Districts - Clean Up Bill



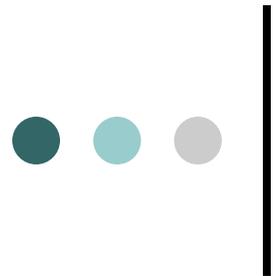
LEDA/Capital Outlay

- 20 Projects Currently in the Pipeline for LEDA/CO Funding Totaling \$68M in Requests, with Job Creation Exceeding 850
- Project Locations Include Chaves, Lea, Taos, Catron, Union, Harding, Torrance, and Doña Ana Counties
- New Program Guidelines Created in 2012 to Improve Accountability



Business Incubator Program

- State Incubator Program Alliance Annually Seeks Additional Funding to Support Existing Incubators
- Return on Investment Ratio Extraordinary
- Addresses Rural Entrepreneurial Service Gaps



Department ROI

What is the Economic Impact of EDD?

- Impact Analysis Conducted – Spring 2012
- Considered Department's Budget Over 5 years (2007 – 2011) = \$43.7 M
- In Those 5 Years EDD Successfully Assisted in the Creation of 18,393 Direct Jobs With Payroll of \$912M
- Indirect Jobs = 40,128 With Payroll of \$1.6B
- Tax Revenue = \$472M
- For Every Dollar Invested in EDD's Activities, the Companies and their Employees Returned \$2.16 to the State (1 to 2.16 cost benefit ratio)