

**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.