

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

**August 19, 2015  
Belen Public Library  
Belen**

The third meeting of the Economic and Rural Development Committee (ERDC) was called to order by Senator Benny Shendo, Jr., chair, on August 19, 2015 at 9:12 a.m. at the Belen Public Library in Belen.

**Present**

Sen. Benny Shendo, Jr., Chair  
Sen. Ron Griggs  
Rep. Rick Little  
Sen. Richard C. Martinez  
Sen. Michael Padilla  
Sen. John Pinto  
Rep. Debbie A. Rodella  
Rep. Patricia Roybal Caballero  
Sen. Pat Woods  
Rep. Bob Wooley  
Rep. John L. Zimmerman

**Absent**

Rep. Dianne Miller Hamilton, Vice Chair  
Sen. Jacob R. Candelaria  
Rep. D. Wonda Johnson

**Advisory Members**

Rep. Eliseo Lee Alcon  
Sen. Craig W. Brandt  
Sen. Lee S. Cotter  
Rep. Nora Espinoza  
Rep. Bealquin Bill Gomez  
Sen. Mark Moores  
Rep. Dennis J. Roch  
Sen. William E. Sharer

Rep. George Dodge, Jr.  
Rep. Jimmie C. Hall  
Sen. Carroll H. Leavell  
Rep. Patricia A. Lundstrom  
Sen. Mary Kay Papen  
Rep. Nick L. Salazar

**Guest Legislators**

Rep. Alonzo Baldonado  
Rep. Kelly K. Fajardo  
Rep. Miguel P. Garcia

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Celia A. Ludi, Staff Attorney, LCS  
Erin Bond, Intern, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts are in the meeting file.

**Wednesday, August 19****Welcoming Remarks**

Senator Shendo welcomed members of the committee, staff and guests to the meeting. Committee members and LCS staff members introduced themselves.

The minutes of the ERDC's second meeting were approved unanimously without amendment.

Senator Michael S. Sanchez welcomed the committee to his hometown.

Jerah Cordova, mayor of Belen, welcomed the committee and provided a brief overview of Belen's history and current economic status. He informed the committee that Belen was founded in 1741 as a Spanish land grant and that it maintains traditions such as a 222-year-old fiesta. Although the 2008 recession had a severe impact on Belen, including substantial cuts in city government employees and services, there are signs that the city's economy is slowly recovering. Vacancies in commercial real properties remain high, but overall commercial revenue is stable. The former Solo Cup manufacturing facility in the area is vacant, but the city is working to identify an occupant for the space. Mayor Cordova said that Valencia County is in need of jobs and that its assets include the area's airport, railroad and convenient access to Interstate 25 and Albuquerque.

The mayor listed a number of infrastructure construction projects under way in Belen, including Highway 6, the Main Street overpass, flood control projects, a new water tank, a new airport runway and road repairs. He added that the housing market is fast recovering. He asked the committee for its continued support of the film industry, which has benefited the area. He noted that the city has accrued its largest-ever budget surplus of \$1 million.

## **Economic Development Department (EDD) Update — Local Economic Development Act (LEDA) — New Mexico Film Office**

Jon Barela, secretary of economic development, introduced Nick Maniatis, director of the New Mexico Film Office (office), who related that 2015 has been the strongest year for the film industry in the state since the inception of the film incentive credits program.

In response to questions from committee members, Mr. Maniatis said that the office, in addition to working to attract feature films, is prioritizing recruitment of television series because they provide longer-term, more stable employment for New Mexico crew members. Films introduce a lot of money into New Mexico's economy for a short period of time, but television productions contribute revenue over a longer time period. Television series production schedules, because they are often less stringent, allow for the use of local vendors and provide greater opportunities for crew members' professional growth. Mr. Maniatis said that game shows, reality television shows and music shows require sound stages that are rated for audiences, and that just one of the state's four studios has such a sound stage. For that reason, production of those kinds of shows is limited in the state.

Mr. Maniatis said that the office is preparing a report on film industry jobs in the state, which will include information about job benefits such as health care insurance and unemployment insurance. He advised the committee that the office does not plan to propose legislation addressing the film incentive program during the 2016 legislative session.

Secretary Barela provided an update on the Job Training Incentive Program (JTIP) and on the LEDA. He noted that the recent announcement that Google will withdraw its Titan Aerospace solar-powered drone development project from Moriarty is an example of the effective clawback provisions used in LEDA project contracts. Because of the clawback provision in Google's contract with the state, Google will return nearly \$1 million in state economic assistance funds to the state, and the water and sewer line extensions built for the project will remain in place.

In response to questions from the committee, Secretary Barela noted that LEDA requirements allow more flexibility than JTIP, and the LEDA guidelines include a prohibition on funding retail projects because the jobs generated in retail are generally minimum wage and are often not permanent full-time jobs.

Secretary Barela confirmed that in consultation with the governor, he makes decisions regarding the provision of funds for a LEDA project. He said this process allows the EDD to be efficient in responding to companies seeking to locate in the state. He added that the decision to provide LEDA funds as a post-performance award or prior to a project's completion is made on a case-by-case basis.

Secretary Barela said that he has received feedback from employers that chose not to locate in New Mexico, citing work force issues as the primary factors in their choices. They

identified issues such as: insufficient preparation and education of workers; lack of employee "soft skills"; and employees' inability to pass drug tests.

### **Photonics — University of New Mexico (UNM)**

Sanjay Krishna, director of the Center for High Technology Materials (CHTM) at UNM, and Earl Fuller, strategic support manager, CHTM, advised the committee that the CHTM focuses on application of research. The CHTM has attracted more than \$260 million in state funding, roughly 89% of which has been spent in New Mexico. This year, the CHTM will likely request an appropriation of \$10 million to be used over five years to establish a freestanding regional hub to build on optics and photonics work currently being undertaken in New Mexico. As a freestanding institution, the hub will not be tied solely to UNM, and Dr. Krishna and Mr. Fuller have already reached out to New Mexico State University and the New Mexico Institute of Mining and Technology to expand partnerships and develop applications for research in these areas in the state.

### **Workers' Compensation — New Mexico Court of Appeals' Decision — Farm and Ranch Worker Exclusion**

Gail Evans, legal director of the New Mexico Center on Law and Poverty, explained the background of a recent Court of Appeals case and the effect of the court's decision, which held that the exclusion of farm and ranch workers from coverage under the Workers' Compensation Act is unconstitutional. The court applied that decision retroactively to March 30, 2012, when a district court judge in Albuquerque first declared the provision unconstitutional. The decision means that farm and ranch employers with more than three workers will be required to obtain workers' compensation coverage for farm and ranch workers, in addition to other already-covered employees. It also means that claims for workers' compensation by farm and ranch workers that were pending as of March 30, 2012 must be considered by the Workers' Compensation Administration (WCA).

Darin A. Childers, director of the WCA, informed the committee that an appeal of the court's decision was filed in the New Mexico Supreme Court. He added that the WCA is currently enforcing the Court of Appeals' decision and that it provides a fact sheet about the application of that decision on its web site.

The committee members discussed the presenters' comments, and, in response to several committee members' questions, Mr. Childers explained that workers' compensation insurance rates are based on an employer's payroll, and the Workers' Compensation Act does not exclude family members of an employer, seasonal workers or day workers. In response to a committee member's question, Ms. Evans said that California and Arizona require employers to provide workers' compensation coverage for all workers, that Utah and Colorado require coverage for farms of a certain size and that Texas does not require coverage for any workers.

### **Workers' Compensation — WCA Annual Report**

Mr. Childers presented the WCA Annual Report for 2014 and provided committee members with a copy of an informational brochure published by the WCA. He opined that most businesses are able to find affordable coverage. He informed the committee that the WCA will request a special appropriation of \$250,000 to perform a system-wide study, which was last done in 2000.

### **Economic Development Programs of Los Alamos National Laboratory (LANL) and Sandia National Laboratories (SNL) — Small Business Tax Credit Update**

Micheline Devaurs, program manager for market transition, LANL, presented her report titled "Feynman Center for Innovation: Helping to Create Jobs and Diversify the Economy in Northern New Mexico". Kathy Keith, a representative of LANL, presented her report titled "Community Programs Office: Helping to Create Jobs and Diversify the Economy in Northern New Mexico". Jackie Kerby Moore, technology and economic development manager at SNL, presented her report titled "Sandia National Laboratories Economic Development". LANL and SNL together presented "NMSBA [New Mexico Small Business Assistance]/LANL/SNL Annual Report 2014, Perspectives".

### **United States Department of Agriculture (USDA) Rural Development's Efforts to Assist New Mexico Communities with Economic and Community Development**

Terry Brunner, state director for USDA Rural Development, presented his report, titled "USDA Rural Development 2014 Progress Report".

Mr. Brunner highlighted a USDA program that offers financing for the purchase of single-family homes in rural areas and offers 33-year loans at 3.1% with no down payment. He said that the program is available statewide except in the urban areas of Santa Fe, Albuquerque, Rio Rancho and Las Cruces.

The biggest obstacle to economic development in rural areas, Mr. Brunner said, is poverty, followed by infrastructure deterioration, particularly water and wastewater disposal systems. He said that New Mexico offers better financial incentives to encourage small business growth than any other state, but work force availability and readiness and the educational system can be obstacles to business growth. The USDA has funds available for infrastructure repair, maintenance and development, but small rural communities have expressed a preference for outright grants instead of loans with attractive terms or issuing bonds. Mr. Brunner said that there is very little grant money available. He observed that leveraging state money to obtain federal loans is often a cost-effective way to address infrastructure needs. He informed the committee that the USDA recently funded 12 infrastructure projects in other states with a combination of public and private funds, and he looks forward to the opportunity to help obtain funding for similar projects in New Mexico.

Mr. Brunner explained that to maximize resources and avoid duplication, the USDA is focused on developing three areas in New Mexico: communication; coordination; and capacity

building. The intent is to provide communities with data and assessment tools for planning. A major effort is a collaboration with the Department of Environment to identify water and wastewater projects cited by the federal Environmental Protection Agency to help develop financing and construction plans for those projects.

In response to a question from a committee member, Mr. Brunner said that the USDA is aware of infrastructure issues involving privately owned utilities, and, although the USDA cannot finance private entities, it is working to facilitate the sharing of resources that would support expansion of some privately owned utilities in areas where there is no other utility provider. He noted that the USDA has a Community Facilities Program that provides loans at 4.5% for publicly owned utilities.

A committee member expressed concern that many small rural communities are dependent on volunteers to navigate the USDA's financing processes, which can be difficult. Mr. Brunner responded that the USDA recognizes that issue and, among other things, provides funding for leadership training for farmers in Mora County.

### **In-State Business Purchasing Preferences — Economic Development and Infrastructure Collaboration Initiative**

Senator Padilla explained the provisions of Senate Bill 69, which he introduced in the 2015 regular session. The bill was passed out of the Senate Corporations and Transportation Committee, was amended and passed out of the Senate Judiciary Committee and was passed by the senate, but, due to time considerations, it was not considered by the house of representatives. The bill provided for one-third of state purchasing contracts to be awarded to New Mexico vendors. Senator Padilla averred that \$500 million to \$1.1 billion in state contracts are currently being awarded to out-of-state contractors, and, if enacted, the provisions of the bill would help to maintain at least one-third of that money in the state to support New Mexico businesses.

### **Public Comment**

Kathy Holmes Cates, chief executive officer of the nonprofit organization, LifeROOTS, also spoke on behalf of Ag-Pac. Ms. Cates expressed her support for Senator Padilla's bill and urged the legislature to ensure that the bill does not conflict with the State Use Act.

### **Adjournment**

There being no further business before the committee, the third meeting of the ERDC for the 2015 interim adjourned at 4:27 p.m.