

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

**July 6-7, 2011
Mesalands Community College
Tucumcari**

**July 8, 2011
Santa Rosa**

The second meeting of the Economic and Rural Development Committee (ERDC) was called to order as a subcommittee by Senator Bernadette M. Sanchez, chair, at 9:30 a.m. on Wednesday, July 6, 2011, at Mesalands Community College in Tucumcari.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Debbie A. Rodella, Vice Chair
Rep. Ernest H. Chavez
Sen. Mary Jane M. Garcia
Rep. Nate Gentry (7/6, 7/7)
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Yvette Herrell
Rep. Patricia A. Lundstrom (7/7, 7/8)
Sen. Richard C. Martinez (7/6, 7/7)
Sen. David Ulibarri

Advisory Members

Rep. George Dodge, Jr.
Rep. Sandra D. Jeff
Sen. Timothy M. Keller
Sen. Carroll H. Leavell (7/6)
Sen. John Pinto

Absent

Sen. Mark Boitano
Sen. Kent L. Cravens
Rep. Mary Helen Garcia
Sen. Howie C. Morales

Sen. Rod Adair
Sen. Sue Wilson Beffort
Sen. William F. Burt
Rep. Zachary J. Cook
Rep. James Roger Madalena
Sen. George K. Munoz
Rep. Andy Nuñez
Rep. 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)

Pam Stokes, LCS

Carmella Casados, LCS

Guest

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Wednesday, July 6**Greater Tucumcari Economic Development Committee**

Patrick Vanderpool, executive director, Greater Tucumcari Economic Development Committee, explained that economic development is a challenge but that Tucumcari is poised to serve relocating or expanding businesses. He said that the racetrack, ethanol plant and transmission lines for the wind energy are primed for economic development.

Tucumcari is served by Interstate 40 and U.S. 54 and sees approximately 20,000 vehicles per day. Mr. Vanderpool indicated that the city would like to take advantage of travelers by developing more truck stops, as there are only two full-service truck stops now. He stated that Tucumcari is located on Route 66 and boasts both a strategic location with access to major markets in New Mexico and transportation services, including rail and air.

Union Pacific Railway serves Tucumcari with a major truck line from Kansas City to El Paso. Approximately 55 freight trains pass through Tucumcari daily.

Route 66 is becoming a mecca for outdoor art, with many murals. Mr. Vanderpool mentioned that the repainting of the old gas stations would contribute to making Route 66 a focal point for outdoor art.

Dr. Mildred Lovato, president, Mesalands Community College, stated that this was her third day on the job. She said that there are hidden gems in Tucumcari, including the Dinosaur Museum and the only wind turbine in the state. Mesalands Community College is also the home of the North American Wind Research and Training Center (NAWRTC), which provides training in the world's tallest classroom, a 400-foot-tall tower capped by a 1.5 megawatt turbine. Mesalands specializes in customized training for any industry.

Economic and Rural Development Projects

Elizabeth Savage, director, New Mexico Office of Recovery and Reinvestment (NMORR), said that the federal American Recovery and Reinvestment Act of 2009 (ARRA) sent billions of dollars to New Mexico through a broad range of existing federal agencies and programs. Every county was affected. The ARRA generally funds tax cuts and credits, entitlements, contracts, grants and loans. The money has been going to every county, particularly for education, with every district receiving money in proportion to its funding formula, which expires in September 2011. The \$1.5 billion for infrastructure projects includes highways throughout the state. This funding is available through 2015. These projects will continue to create jobs in New Mexico communities.

Questions

A legislator asked what happens when the stimulus money runs out. Ms. Savage stated that ARRA funds were designed to be temporary. The education element was a late piece of major funding for the state.

Ms. Savage mentioned that the state energy plan was funded for projects based on the decision-making already identified, and projects already planned, by the state. The Government Services Fund is under the discretion of the governor for specific projects as long as the purpose meets exclusive criteria.

Ms. Savage stated that the tax credits of the ARRA were designed to be spent by consumers quickly to stimulate the retail sector.

Ms. Savage explained that although much of the funding went to major population centers, the money affected every county in the state through direct contracts and loans with municipalities and school districts. Some examples of communities that received funding in 2009 included the Fort Sumner Municipal School District, which was awarded \$500,000 to install a geothermal heating and cooling system in the school's gymnasium and to improve lighting efficiency. The Navajo Nation was given about \$31 million for the U.S. 491 project in San Juan and McKinley counties for the expansion from two to four lanes. The Waste Isolation Pilot Plant (WIPP) received about \$172 million to accelerate waste shipment readiness to WIPP and support cleanup work. The new Guadalupe County hospital and medical center in Santa Rosa received \$9.4 million from the U.S. Department of Agriculture.

Early in 2009, the NMORR organized New Mexico's funding into general policy categories to make it easier to comprehend. Medicaid, local infrastructure and public education are at the top of the list.

Ms. Savage stated that all state agencies are required to have a spending plan. It helps her understand how the dollars given for a specific purpose are being used for that purpose.

There is no consensus regarding the impact of ARRA funding on job creation and retention. The ARRA requires reporting the number of full-time employees funded through

ARRA dollars according to a mathematical methodology prescribed by the federal Office of Management and Budget.

The NMORR produced a web site where it posts information about how and where tax dollars are spent. Its features include state agency spending reports, contracts posted online, photo galleries of projects funded with ARRA dollars and a database that tracks every dollar sent to New Mexico school districts.

Ms. Savage mentioned that the NMORR's funding comes from the Government Services Fund, which expires in September 2011. The NMORR had 11 full-time employees in the office; after the change in administration, it had six employees. Now, it has three employees loaned from other state agencies. Three of the six employees are paid with ARRA funds. The NMORR does not have an overload of work, unlike it did in the first few years of reporting. Processes are now in place, agencies are getting their funding and a transition plan is in place. The NMORR has never submitted a late quarterly report and will continue to submit reports in a timely fashion as state agencies assume 100% of the reporting responsibility.

Questions

A legislator asked if the jobs funded by ARRA are all permanent. Ms. Savage said she would need to look at the University of New Mexico (UNM) report to answer that. A legislator asked if a majority of the ARRA-funded jobs are government or private sector jobs. Ms. Savage said she does not know the answer to that.

Another legislator requested a report showing the breakdown on ARRA-funded road projects. Ms. Savage said that she will provide a report to Mr. Kovnat. Ms. Savage said that ARRA funds are going to municipalities, and tracking by state agencies is easy to do. The legislator requested a current expenditure status. Ms. Savage said that a new report will be completed, with preliminary reporting on July 15, 2011. The legislator is interested in a breakdown on the ARRA funds that have been awarded and spent and what remains to be spent in her district. The legislator wants to know what employment has been created with the projects in the legislator's district and, after the projects are completed, how many layoffs are expected.

A legislator asked if weekend service for the Rail Runner was funded through the Government Services Fund. Ms. Savage said that the funds awarded were already spent. The funds for the NMORR will expire at the end of September 2011 and have already been extended from June 2011, but there is still money that has been awarded for projects through 2015. The legislator asked if funding awards would stop if ARRA funds are not fully recovered by 2013. Ms. Savage responded that there would be no action taken by the federal government to cancel awards.

Another legislator asked if there will be a reversion of the dollars not spent by the deadline of 2015. Ms. Savage said yes, any unspent money will revert back to the federal government. The legislator asked if there were jobs created with the funds that were awarded to the Workforce Solutions Department and mentioned that the ARRA had provided New Mexico

with 24,243 jobs through June 30, 2010, but the Workforce Solutions Department is reporting 29,000 jobs provided from the ARRA, with almost 22,000 jobs in the government sector. The legislator asked if these are new jobs or existing jobs. Ms. Savage said that the UNM Bureau of Business and Economic Research reported that the ARRA has provided 24,000 jobs based on economic modeling. The numbers on the ARRA web site are a count of full-time employees. The jobs created are not necessarily government jobs; some were, for example, child care workers paid with government dollars. Ms. Savage said that it is impossible to parse out how many jobs are public and how many are private. The legislator asked what happens when these jobs expire because there is no more stimulus money. Ms. Savage said that some of the projects are nonrecurring and were only for a limited time. The money for public education will be an issue. Ms. Savage said that there really is no magic answer to that question.

A legislator asked Ms. Savage if she has an idea of the amount of money that will be unspent. Ms. Savage said that she is waiting for the June 30, 2011 reports to come in. The legislator asked if there are still funds available that have not been allocated. Ms. Savage said that all that remains to be allocated is \$1.5 million in the governor's fund.

Another legislator asked if the \$1.5 million in the governor's fund was Graduate New Mexico money. Ms. Savage said yes, but that it was reduced. A variety of actions were taken; some were reductions, some were new allocations and some were complete reductions. The new administration reduced the funds for Graduate New Mexico from \$9.4 million, which was allocated by former Governor Bill Richardson, to \$8.3 million and then reduced the funds again to \$6.3 million.

Ms. Savage also mentioned that the Government Services Fund must be liquidated by December 21, 2011, and that initially, both newly created and existing jobs were reported. When the Office of Management and Budget issued guidelines for reporting, the categories were combined. So, it was difficult to make a distinction. If a job is counted as one being paid with ARRA funds, it does not matter to the Office of Management and Budget if it is an existing job or a new job.

A legislator requested a report showing what has been awarded to the Pueblo of Santa Clara and asked if, due to the recent fire, the scope could be changed. Ms. Savage said that a report with information will be provided to the legislators that serve the Pueblo of Santa Clara.

Tucumcari Small Business Development Center (SBDC): Economic and Rural Development and Successes and Possibilities

Vicki Watson, M.S., director of the Tucumcari SBDC, mentioned that the SBDC provides small businesses assistance with business planning, marketing, business financing, small business startup, entrepreneur training and other specialized areas to help grow and strengthen business in New Mexico. She stated that Tucumcari feels left out because it is so small and overregulated. The procurement technical assistance program (PTAP) provides government procurement assistance to small businesses. SBDC advisors offer a wide range of services, including individual counseling and training to enable businesses to successfully

compete for government contracts. In fiscal year 2010, the SBDC PTAP has assisted clients to secure 65 contracts worth over \$42 million. Also, over \$49 million in international trade had been secured by SBDC international business accelerator clients in its first five years in existence. Ms. Watson mentioned that she would like to see the Union Pacific Railroad expand to have goods imported and exported to Mexico.

The SBDC is a small business resource that provides training, capital formation and assistance in getting funding for small businesses. Ms. Watson stated that staying in business is a major challenge in this rural community. She is trying to get more services and products so that members in the community do not need to shop elsewhere.

Ms. Watson mentioned some issues involving local small businesses, citing daycare centers as an example. She said that there are too many state regulations and city zoning issues are causing problems. Currently, there is only one daycare center and one Head Start program in the community. Without daycare centers, young parents cannot work because they have to care for their children. Ms. Watson said that inconsistency of laws and inspections, and the interpretation of existing laws, have caused one daycare to close.

Also, Tucumcari would like to see more truck stops. There is a plan that would make a truck stop a Route 66 entertainment complex — but only if it can attract just 1% more traffic off I-40, which could mean an additional \$8 million in revenue for the community.

Ms. Watson said she would like to see some future tourism initiatives for Tucumcari, including more restaurants on Route 66. People in the community want to build more, but local and state regulations related to commercial kitchens have made the costs insurmountable. Also, many of the buildings are old and cannot be repaired and have asbestos. Currently, old buildings are being painted to make them more attractive. Tucumcari would like to see more "open" signs and business opportunities.

Energy Panel: Update on Projects, Tax Incentives and Laws and Regulations That Are Helping or Hurting Industry

Sonia Phillips, manager, New Mexico state affairs, Xcel Energy, stated that Xcel is the fourth largest electric and natural gas provider in the U.S. Xcel is the number one wind power provider in the U.S., providing 4,521 megawatts, and it is number seven in the provision of solar power.

Xcel is in the eastern part of the state and has the ability to help out other areas of the state, as evidenced by helping to cover for El Paso Electric during the Arizona fire. Xcel gets requests for 10,000 megawatts of wind power. Xcel has 600 megawatts of power, 700 megawatts of natural gas power and solar and photovoltaic facilities in the Hobbs area.

Ms. Phillips said that solar power is four times more expensive than other energy sources but that solar will work well with wind power. She said that Xcel has to do forecasting to know when the wind is going to blow and when the sun is going to shine. Customers in New Mexico are largely industrial, with a small residential load. It costs industrial customers a lot of money when service goes down. So, reliability is the most important thing to industrial customers, followed by cost.

Xcel covers a large part of the country and still needs to grow. The summer peak in 2008 was 5,400 megawatts. In 2010, that record was broken with almost 5,600 megawatts, and that record has already been broken twice this year.

Ms. Phillips said that it costs \$1 billion to reach the mandates of the federal Environmental Protection Agency for coal fire plants and that Xcel met all the requirements at the time the plants were built, but now there are new rules. Xcel is now forced either to shut down coal fire plants or power the plants with natural gas, which is problematic because natural gas prices are volatile. Xcel needs to have the regulations be predictable so that it will be prudent to expand in New Mexico rather than to other states that have better incentives. Investment companies want to be sure it is prudent to invest in Xcel.

Rhonda Mitchell of the Tri-State Generations and Transmission Association stated that Tri-State is a not-for-profit, consumer-owned wholesale power cooperative. Tri-State provides electricity to 44 member cooperatives that serve 1.5 million consumers throughout Colorado, New Mexico, Nebraska and Wyoming. Ms. Mitchell said that its power comes from coal and natural gas and that it gets hydroelectric allocation from the federal government. In 2009, agreements were signed for two renewable facilities that came online last year, the Carson Wind Project in Colorado and the Cimarron Solar Project in northern New Mexico. Tri-State is ranked sixth in the nation for renewable energy and number one as a cooperative. Tri-State's mission is to provide safe and dependable electricity to its consumers. The economic benefit of Tri-State to New Mexico is three generation facilities: Escalante in Pruitt, Pyramid in Lordsburg and the Cimarron Solar Project. The Escalante coal mine has created 500 jobs in the Grants/Pruitt area, totaling \$19 million in wages. Tri-State pays \$5 million in taxes that get distributed to that area. Tri-State's rates are not set by the Public Regulation Commission (PRC) but by a 44-member board. However, the PRC can regulate location of transmission lines. If three member cooperatives file complaints, there will be a rate case, and the PRC will regulate.

Carl Huslig, president, ITC Great Plains, ITC Holdings, explained that ITC's fully regulated, independent transmission model creates a unique approach to infrastructure. ITC is the nation's only independent transmission company. There is no competition for capital; every dollar is spent on transmission. ITC serves territory roughly six times the size of New Mexico. It expects that there will be \$500 million in costs and \$750 million in benefits to the state. Transmission owners must provide equal, nondiscriminatory access to all forms of generation. Each generation source provides a unique challenge when connecting to the grid. All generation sources need a robust transmission grid in the United States. Transmission is at the center of the energy debate. It is a critical link to economic development and many energy policy visions, yet

transmission represents only about 4% to 8% of a typical utility bill. There is aging infrastructure in the United States, and New Mexico is no different. The reliability concerns are blackouts and brownouts that affect the economy every year. The inefficiencies and the lack of investment have led to increased congestion, which leads to higher electricity prices. The lack of funding has caused congestion in the interconnection queue. The demand and need for change is due to the estimated 25% increase in energy demand over the next 20 years, even with a down economy.

Mr. Huslig said that these policy changes could result from several sources: state legislative initiatives, pending federal legislation concerning energy, reinterpretations of existing statutes by the Federal Energy Regulatory Commission (FERC) and court decisions.

Mike Bowen, executive director, New Mexico Mining Association, stated that from a mining perspective, the mining industry provides the metals and wiring needed for these generation stations. He stated that companies are putting more money in expansion, which is a good sign. New Mexico is the twelfth state in the U.S. in coal production and third in copper production. New Mexico has \$1.8 billion worth of minerals. New Mexico is twentieth in the U.S. for production value of minerals. At least \$197 million has been spent in improvements and capital improvements in New Mexico. There is a concern about cap and trade, which may cause a rise in the cost of electricity.

Mr. Bowen said that copper has finally come back in terms of price. It dropped in 2008 from \$3.63 per pound to \$1.49, and it is now up to \$4.30 per pound. He also mentioned that the reopening of the Chino mine will put 600 people back to work. The New Mexico Copper Company is trying to open a new mine in the Copper Flats Project in Hillsboro. In 2009, there was a decrease in production of 93% as the price went from \$33.00 a pound to \$9.00 a pound. New Mexico produces 65% of potash in the U.S., and there are five potash mines in the Carlsbad area.

Questions

A legislator asked about the cost of wind and solar. Ms. Mitchell said that solar is more expensive. Ms. Phillips added that even with the renewable credits, it is going to add cost, but what has been learned is that keeping a diverse generation source benefits customers because wind is less expensive than natural gas, sometimes a lot less, but there are no storage capabilities for solar and wind. Generation still has to be on hand because energy is a resource that must be available at all times.

Another legislator asked about Tres Amigas, the billion-dollar project near Clovis that President Obama and Congress are proposing. Mr. Huslig said that the Tres Amigas Project is the first project that will connect all three grids together and will interconnect near Clovis. He said that he does not know about the price tag and that demand and investment will grow. He said that there is an issue with the financing and how Tres Amigas will be funded. Ms. Phillips added that it takes transmission lines to connect those grids. Transmission lines cannot be built

because the power companies have to prove that the lines will be beneficial to their customers. The power companies also have to get FERC and PRC approval.

Committee members requested literature on the prices and numbers that Mr. Huslig was talking about in his presentation.

A legislator asked if the energy demands of New Mexico are being met with existing infrastructure. Ms. Phillips said yes, but the demands are growing and a reliability standard is needed. Between now and 2015, \$1 billion for transmission lines in New Mexico and Texas has been requested. She said that power companies have to go through regional transmission organizations and do a study proving that transmission lines will work in their integrated system. According to the renewable portfolio standards, by 2011, New Mexico is supposed to have 10% of retail load renewable. A lot of transmission lines are at their capacity, and transmission lines are the driver. New Mexico can be an exporter. Ms. Phillips said that it is not so much whether wind is cheaper, which is an issue, but that the economic development factor is important: New Mexico has wind and solar power that can be used as an economic tool. If there is a place to sell wind energy, everyone could make a profit.

Ms. Phillips said that under the current PRC rules, power companies cannot sell energy to make a profit, and they cannot be wholesalers. The question is, is there a market for excess energy? Each state is looking at its own resources. New Mexico will be stuck with a lot of unused resources. However, because New Mexico wind is more powerful, it can be cheaper for other states to buy energy even with building transmission lines.

Oil and Gas Energy Report

Deborah Seligman, Energy Advocate, LLC, spoke of the establishment of cap and trade to work with California for a regional cap and trade. Emitters of carbon dioxide and greenhouse gases will go to the marketplace. California put it off for another year, so New Mexico cannot come online yet. There is now a case in the court of appeals about repealing the greenhouse gas rule. The economic development perspective does not make sense for a small state when larger states need a national cap and trade. Currently, New Mexico has three rules regarding this, and by end of year there will be five new rules. However, she said, having rules in New Mexico that are not on the books in other states does not make sense, especially when other states are higher producers of oil, such as Colorado and Texas.

Questions

A legislator commented on the difficulty of getting air quality permits in New Mexico, saying that it is easier in Texas.

Another legislator stated that there are too many regulations. The state is not responsive to the customers, and agencies are not working with businesses. The state should be able to tell customers that they will get a permit in 60 days, 90 days or however long it takes to process.

The committee recessed for the day at 4:37 p.m.

Thursday, July 7

NAWRTC at Mesalands Community College — Update and Tour

Jim Morgan, director, NAWRTC, said that the NAWRTC at Mesalands Community College is contributing to the economy. The wind energy technician training program is a hands-on training program and helps students develop many skills. The Wind Farm Economics Power Purchase Agreement with Xcel each year is based on PRC approval.

Mr. Morgan said that ARRA money has resulted in 72 community colleges and more than 20 technical schools teaching wind energy training. Most do not have their own turbines, but there is a lot of competition across states, as there are no synchronized grids. New Mexico ranks number two in wind energy resources in the United States, with 12 times the wind resources of California. However, the New Mexico grid is limited. The Tres Amigas project will unite the nation's electric grid with the first common interconnection. Construction may start later this year or early next year. Mesalands Community College is solidifying memoranda of understanding with several institutions for research to utilize Mesalands' turbine. The University of California-Los Angeles is planning to have a one-week boot camp technical course to study blocking signal radar. Washington University in St. Louis would like to study the turbine for a research project. The New Mexico Institute of Mining and Technology would like to research and study radar and the blades to make turbines more transparent. Oregon State University would like to have its scientists study and research the accelerometers. Sandia National Laboratories would like to research and study the transmission of data. A Brazilian wind farm owner and developer wants to build a wind center for training like Mesalands has and wants help from Mesalands in building the center. Finally, an Indian wind turbine manufacturer and Xyron Technologies, Ltd., want to put their turbine on the Mesalands campus. The companies would share generation and pay a fee to lease the space to house the turbine on campus.

Questions

A legislator asked what is the feasibility in the future to store wind power. Mr. Morgan said that the new technology is to have an air compressor to store high pressure air underground.

Another legislator asked where graduates who have completed the training program have gone. Mr. Morgan said that most do not stay in the state due to the limited number of jobs in New Mexico because the state cannot build more turbines. If Tres Amigas is built, that means 3,000 turbines, which in turn means a lot of jobs will be available.

A legislator asked where is the highest density of wind farms in New Mexico. Mr. Morgan said it is in eastern New Mexico. When asked where the highest density of wind farms in the U.S. is, Mr. Morgan answered that it is in Sweetwater, Texas. When asked where the highest density of wind farms in the world is, Mr. Morgan answered that it is in China, which is trying to avoid relying too heavily on oil and relying more on renewable energy.

Economic Development and the Impact on Commercial Real Estate

Drew Dolan, director of development, Titan Development, and Commercial Real Estate Development Association (NAIOP) chair, stated that the NAIOP has 250 members and 190 member companies. The NAIOP's goal is to promote commercial real estate and economic development to include construction and tenant improvement. Mr. Dolan said that even during the recession, projects were still happening. New Mexico is not doing as well as surrounding states. New Mexico is the only state in the region with a negative trend line. He analyzed the hypothetical market share (projects per resident) to see if New Mexico is getting its fair share of projects. New Mexico is not getting its fair share of projects, and the trend line is drastically down. To improve, New Mexico cannot just rely on government. The state needs to fund its existing job training incentive program and have a high-wage jobs tax credit.

Mr. Dolan mentioned some opportunities for New Mexico. The film industry in New Mexico has been successful in the economic downturn and has employed many people that would be collecting unemployment if not for this industry. There need to be incentives for the long-term success of this industry. Also, the relocation or expansion of large companies can have a significant economic impact on New Mexico. If the state helps large companies, they can bring more jobs. He mentioned Hewlett Packard and Intel as examples.

Questions

A legislator asked what is driving new projects to Texas. Mr. Dolan said that it is the pro-business climate and the understanding of the regulations and building codes. While most of Texas is following the early 2000 rules, New Mexico follows the 2009 rules.

Another legislator commented about the film industry and noted that Albuquerque has more film infrastructure than any city other than Los Angeles and New York, and that if the industry goes away, those jobs, and the students that train for them, are going to leave.

A legislator said that the legislature has been trying to pass bills to lessen regulation but that nothing has passed. This administration intends to make the rules more business-friendly.

Mr. Dolan said that this appears to be true and that there is a need to streamline the regulatory process and train the work force. He noted that New Mexico has great community college facilities that do a great job of high-tech training and preparing students for jobs. Mr. Dolan mentioned in particular the apprenticeship program where high school students can get credit while learning these skills.

The Federal Communications Commission's National Broadband Plan and Its Potential Impact on Rural New Mexico Customers Served by Rural Independent Telephone Companies

Sam Ray, lobbyist, New Mexico Exchange Carrier Group (NMECG), and Charlie Ferrell, executive director, NMECG, followed up on Senate Joint Memorial 38. See their handout for more details.

Questions

A legislator stated that the legislator would like to ask the Federal Communications Commission (FCC) to look again at the proposed rules it wants to put in place because their implementation may mean communication in rural areas that customers cannot afford. Mr. Ray stated that the bigger companies are not willing to support smaller companies when the big companies are not getting support; however, they will if the new rule goes forward.

A legislator asked if the merger of CenturyLink and Qwest will have a negative or positive impact on the NMECG. Mr. Ray said that it will only hurt the NMECG if it connects to the larger company like Qwest and carries it to Albuquerque on a meet point. The NMECG needs upgraded meet points to get to more rural areas. Qwest lost a lot of customers — from 900,000 lines to 600,000 lines — and reduced its personnel. He said it is unclear if the merger will hurt the meet points.

Another legislator said that it appears that there is a pot of money being used by rural telecommunications companies, recurring either through tax credits or incentives, and asked what resources the FCC wants to redistribute. Mr. Ray said that there is a surcharge on customer bills that is collected and distributed to companies based on cost studies that show that investments are being made and what services are being provided. The legislator asked whether what the FCC is proposing is that if there is a pie of money, the rural companies will get a piece of that pie; whether larger companies will get a larger piece; and whether any of the fees that are collected will be the same, for example, as the surcharges. Mr. Ray stated that customers are helping to support those types of funds, and with this change, bigger companies will only provide broadband service where they want to provide it.

Senator David Ulibarri made a motion to send a letter to the New Mexico congressional delegation to request that the FCC revise the proposed rules. Rural telecommunications companies and cooperatives have a proposed workable alternative to the FCC plan that will increase broadband investments in rural areas. Representative Herrell seconded the motion, and it passed.

Thursday, July 8

Welcome by Santa Rosa Mayor

Mayor Albert Campos, Jr., spoke about economic development in Santa Rosa. He said that the community has a gold mine in the form of water. Santa Rosa would like to see a business incubator and possibly a museum with Route 66 memorabilia. Currently, the city is working with Aquatic Consultants, Inc., to focus on fish hatcheries for private sale. Mayor Campos said that Secretary Jon Barela of the Economic Development Department came to a meeting in Santa Rosa and that the Department of Game and Fish gave its blessing and said there is no place better than New Mexico to fish. The fishery proposal includes a new hatchery, which will produce 950,000 pounds per year of high quality rainbow trout to sell at \$3.00 to \$8.00 per fish. Santa Rosa would like to see job growth in the trucking industry by transporting fish in and out of the state, to casinos and to other lakes. Mayor Campos stated that Arizona cannot supply

itself with the amount of fish it wants, so there is a market. The business plan is to be completed by the fourth week of July. He stated that there are customers, and he knows it will work.

Richard R. Delgado, director, Santa Rosa Economic Development and Tourism, said that the feasibility study needs to be creative. Mayor Campos said that he is trying to meet with the Legislative Finance Committee to help with funding for the project. There will be eight to 10 jobs created for biologists, and four to five laborers will be trained.

Questions

A legislator noted that it will cost \$3 million for the first phase of the project and asked how much money is available. The legislator said that when preparing a feasibility study, one should apply through the Economic Development Administration and see if funding can be acquired through the agency. The legislator also mentioned that the local farm service agency will provide topographical maps to help cut the costs needed to tap all resources. The legislator suggested that Representative Dodge write a letter to the New Mexico Finance Authority (NMFA) Oversight Committee, which can help with getting planning money and infrastructure. Currently, the NMFA is working to use the Public Project Revolving Fund, which is supported by government gross receipts, and it is looking to invest in local communities. This would be perfect for that project.

Another legislator asked who would own the project. Mayor Campos stated that it will be a partnership. The city will own the infrastructure, but the private company will run it.

A legislator noted that people are needed out in the field, and this is a good example as to why. He said that the point can be made to the New Mexico Legislative Council that, had the committee not been out here, these needs would not be heard. This is a perfect example as to why legislators need to be out in the state listening to the communities. Representative Lundstrom made a motion to draft a letter from the ERDC to the LCS and the leadership to state the importance of travel. Senator Sanchez seconded the motion, and it passed.

Analysis of Census Data Revealing a Population Shift from Rural to Urban Areas and Discussion of New Mexico's Demand for Labor by Industry Now and in the Near Future and the Extent to Which the State Is Meeting and Plans to Meet that Demand

Dr. Dely Alcantara, director, Geospatial and Population Studies, and associate research professor in geography, UNM, said that there has been a steep upward climb in population since 1910. It peaked in 1960, dipped in 1970, went up again in 1980 and is now slowing down. In the last 10 years, the state grew by a population of 240,133, a 13% growth. The population is still growing, just at a slower pace. New Mexico is the fifteenth fastest-growing state in the U.S. The population is mostly concentrated in urban areas, with 66% residing there. Dr. Alcantara spoke of three different regions for study: metropolitan, micropolitan and areas outside of metropolitan and micropolitan areas, in which there is no interaction economically with neighboring counties.

Dr. Alcantara said that the 1950s is when New Mexico became more urban, and she said that the energy corridor is attracting young Hispanic men to work in the oil fields in Hobbs and Lea County. Older white people are retiring to Catron County. She also mentioned that there will be serious implications if the younger work force is depleted and not replaced.

Dr. Alcantara mentioned that in the recession, people move to bigger areas for jobs because the small counties do not offer as much opportunity. San Juan County is a major energy county. The population of New Mexico grew by natural increase, not through immigration.

Questions

A legislator asked if New Mexico has some comparisons to other states. Dr. Alcantara said comparisons can be made, but it is a little more difficult because information on births and deaths is confidential, but if these are published, a comparison can be made. The legislator asked if a 37% migration growth means a similar increase in the labor force. Dr. Alcantara stated that this is a proportion, not a 37% increase in population.

Another legislator asked Dr. Alcantara how accurate she thinks the census was and that there were communities of more than 100 families that were not counted. Dr. Alcantara said that the accuracy of the 2010 census is probably higher than in 2000. For the first time, the state was able to participate in a local update of census addresses. The state added to the census list 130,000 housing units that the census missed, and the challenge was accepted. She said she would look to see if Grants was among those cities that were missed. If a housing unit was not there, it was not accounted for; the key to the census is structures. If there is a structure on the ground, the census will look at the address next to it and impute that characteristic to it. Dr. Alcantara was able to get funding from the state that made it possible to collect vital records, but she could only do it for the 10 biggest counties because she did not get funding soon enough and record collection is very time consuming.

A legislator said that the state needs to keep in mind the next census so that the state can have a way to challenge the housing units, track every address and put them on maps with X and Y locations, which need to be precise locations so that the census will accept the data.

Another legislator said it is critical not to undercount because that would mean fewer federal dollars for the state.

Representative Lundstrom made a motion that a letter be sent by the committee to Secretary Barela to ask specifically that he delineate his strategy for metropolitan areas and micropolitan areas and areas outside of metropolitan areas and micropolitan areas as opposed to the one-size-fits-all strategy he presented at the last meeting. The committee would like a breakdown by those three designated areas. Senator Sanchez seconded the motion and asked that Secretary Barela address the issue when he comes back to make a presentation to the committee in November.

Dr. Jim Peach, regents professor, Department of Economic and International Business, New Mexico State University, talked about the labor force and labor demand issues. He stated that the U.S. Department of Labor reported that only 18,000 jobs were created during the month of June and the unemployment rate went up to 9.2%. The New Mexico labor market is especially affected by what goes on nationally. New Mexico has traditionally had a very young population, but it is rapidly approaching a median age that is the same as the United States. The age distribution is changing, and it will affect everything. The labor markets are dynamic. Participation rates are falling, mainly due to aging. In the United States, there are 153.7 million people in the labor force, with 13.9 million unemployed.

A legislator asked about the breakdown of unemployed individuals over the age of 16, wondering if they are retirees, not working, looking for work, disabled, stay-at-home parents or in prison. Dr. Peach said he would send Mr. Kovnat a breakdown.

Dr. Peach explained that labor markets have dynamic flows, and in a normal month, huge numbers of people change their status.

Representative Lundstrom moved to approve the minutes of the previous ERDC meeting. Senator Sanchez seconded the motion, which passed.

The meeting adjourned at 12:00 noon.