

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

**July 30, 2007  
Bernalillo Town Hall  
829 Camino Del Pueblo  
Bernalillo, NM**

**July 31, 2007  
Corrales City Council  
4324 Corrales Road  
Corrales, NM**

The second meeting of the Economic and Rural Development Committee was called to order by Senator Bernadette M. Sanchez, chair, on July 30, 2007 at 10:12 a.m. at the Bernalillo Town Hall in Bernalillo.

**Present**

Sen. Bernadette M. Sanchez, Chair  
Sen. Mary Helen Garcia, Vice Chair  
Rep. Andrew J. Barreras (7/30)  
Rep. Richard J. Berry  
Rep. Jose A. Campos  
Rep. Ernest H. Chavez  
Sen. Dianna J. Duran  
Sen. Mary Jane M. Garcia  
Rep. Dianne Miller Hamilton  
Sen. Clinton D. Harden, Jr.  
Sen. Richard C. Martinez

**Advisory Members**

Rep. Nathan P. Cote  
Rep. Nora Espinoza  
Rep. Daniel R. Foley (7/30)  
Rep. William J. Gray  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Rep. Andy Nunez  
Rep. John Pena  
Sen. John C. Ryan

**Absent**

Sen. Phil A. Griego  
Rep. Patricia A. Lundstrom  
Rep. Brian K. Moore  
Sen. John Pinto  
Sen. William E. Sharer

Rep. John A. Heaton  
Sen. Stuart Ingle  
Sen. Timothy Z. Jennings  
Sen. Steven P. Neville  
Sen. Lidio G. Rainaldi  
Sen. Shannon Robinson  
Rep. Debbie A. Rodella  
Rep. Richard D. Vigil

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Kate Ferlic  
Gordon Meeks  
Randi Johnson  
Zach Taylor

### **Guests**

The guest list is in the meeting file.

### **Monday, July 30**

#### **Committee Business**

Senator Sanchez welcomed the committee members and guests.

#### **Report from Mayor Patricia A. Chavez on Bernalillo Economic Development**

Mayor Chavez provided the committee with a report on the history and development of the Town of Bernalillo. She informed the committee that Bernalillo was incorporated in 1948 and that the town is five square miles and situated in Sandoval County. Mayor Chavez noted that there are about 10,000 residents and 8,000 households, and the median age is 37. Regarding employment, the mayor noted that there are 70 municipal employees and 1,500 school district employees, and that the county is also a major employer. American Gypsum Company and MCT Government Contracting employ many Bernalillo residents. Mayor Chavez noted that the two Rail Runner stations in Bernalillo have helped the economy because residents have obtained a means of transportation to and from medical and educational facilities, and outside residents are able to be transported into Bernalillo to take advantage of the restaurants and the wine festival. The twentieth New Mexico Wine Festival is to be held during Labor Day weekend this year. This festival will boost Bernalillo's economy by attracting 25,000 to 27,000 visitors.

The mayor also provided the committee with some of Bernalillo's future plans for economic development. By December 2007, a Wal-Mart Super Center will be opened and this will become another major employer for Bernalillo. Also, by next summer, the replacement of the wastewater treatment plant will be complete. The mayor noted during committee questions that Bernalillo has a total of four water wells and that two are capped and being treated for arsenic using the ARS program. One hundred fifty-seven acres of land have been annexed for mixed-use development and retail. The mayor asserted that Bernalillo is not going to support expanding Highway 550. During general questioning from the committee, the mayor elaborated that Bernalillo has explored many solutions to the Highway 550 traffic problem, including intelligence technology synchronization of the lights, shuttles and redevelopment of the roads, and has asked surrounding communities to place a moratorium on development.

The mayor introduced Ida Fierro, city clerk, who told the committee that a lack of good health care providers is hindering business growth. Louise Moore, Sandoval County Economic Development Corporation, was also introduced to the committee, and informed the committee that her corporation applies for nonprofit status to partner with rural communities in order to assist them with community development projects.

## **Report on University of New Mexico Economic and Rural Development Programs**

Mark Saavedra, director of government relations, University of New Mexico (UNM), told the committee that UNM wanted to present to the committee to illustrate to the legislature what UNM is doing to boost economic rural development and show that money appropriated to UNM is being pumped back into the community.

Mr. Saavedra introduced Dr. Arthur Kaufman, M.D., director of the UNM Health Sciences Center. Dr. Kaufman reported to the committee that the goal of the center is to recruit, train and retain health professionals in New Mexico communities. The success of UNM health programs is measured by how they affect the quality of life of citizens across the state and this requires strong partnerships with rural communities. Dr. Kaufman noted that in January 2007, the UNM College of Nursing had nine on-the-ground education sites implemented across the state. Also, because of the insufficient number of pharmacists across the state, the UNM College of Pharmacy has initiated joint recruitment of high school students and a program geared toward southern New Mexico. Significantly, Dr. Kaufman reported that a rural physician is worth \$1 million per year in economic impact and 18 direct and indirect jobs. UNM is helping rural physicians through several services, including: the nurse advice line (reduces number of emergency room visits); PALs; locum tenens (substituting residents as doctors in rural areas); poison and drug information line; and telehealth (connects multiple sites in rural areas). Additionally, the School of Medicine Office of Diversity Education Pipeline program has been effective at recruiting minorities from rural areas who are likely to return to those areas. The UNM School of Medicine's BA/MD degree program has the goal of returning highly trained leaders to rural areas and, annually, an average of 140 students complete rotations in rural communities. Upon committee questioning, Dr. Kaufman asserted that the forgiveness of educational debt for community service was not adequately funded and many opt out of their contracts for private hospital job offers.

Next, Mr. Saavedra introduced John Garcia, senior administrator of the Office of Economic Development, UNM, who reported to the committee that UNM is an economic engine for the State of New Mexico and that there are many ideas on how to connect the university to economic development. Mr. Saavedra remarked that, in order for industries not to bring employees with them to New Mexico, New Mexico must develop its talent. He also noted that it is necessary to bring in a mix of businesses that will create a sustainable economy. The Science Technology Corporation, created by UNM scientists, incubates company ideas. Mr. Garcia informed the committee that UNM is bringing in economists to talk about global, national and regional economies, as well as where New Mexico fits in. Upon committee questioning, Mr. Garcia mentioned the Albuquerque Institute for Math and Science, a high school program on UNM's campus.

## **Report on Tax Incentive Education**

Kelly O'Donnell, deputy secretary of economic development, provided the committee with a report on tax incentive accountability. Secretary O'Donnell began her report by noting that New Mexico's economy is stronger than it has been since 1978. New Mexico is ranked

seventeenth in job growth and fifth in economic growth, and tax incentives play an important role in this growth because they signal a business-friendly climate, allow New Mexico to compete with other states for business and are used as a tool for economic developers. She noted that New Mexico has an anti-donation clause, which means that New Mexico cannot make huge contributions or gifts to corporations in order for them to locate in New Mexico, and this is why New Mexico must use tax incentives.

Secretary O'Donnell outlined the key tax incentives in New Mexico: the rural jobs tax credit; the high-wage jobs tax credit; industrial revenue bonds; the manufacturers' investment tax credit; and the technology jobs tax credit. Regarding the rural jobs tax credit, Secretary O'Donnell informed the committee that, despite the attractiveness of this credit, it has a very low fiscal impact because there is not enough job creation going on and the credit is too difficult to access. Also, the high-wage jobs tax credit is a substantial incentive, but it is not utilized because the \$40,000 per year in salary qualification is hard for most employers to meet. Secretary O'Donnell reported that industrial revenue bonds offer lower-cost financing and property tax abatement or reduction; however, it is not tracked specifically, so it is harder to estimate the fiscal impact of these bonds. The manufacturers' investment tax credit was noted as being important to the recruitment and expansion of large corporations, but it will sunset in 2011. This credit has had an unstable fiscal impact. Regarding the technology jobs tax credit, Secretary O'Donnell noted that in order to obtain it, the employer must have a growing payroll. In rural communities, the employer can receive 8% of qualified expenditures, and in urban areas, the employer can receive 4% of qualified expenditures.

Secretary O'Donnell also provided the committee with an overview of the new incentives and changes to existing incentives. The new and changed incentives include: the locomotive fuel gross receipts and compensating tax exemption; the angel investment credit (venture capitalist or high-net worth individual-make equity investment); the financial management tax deduction (for fees associated with hedge mutual funds or investment); the rural banks legislation; the aircraft manufacturing tax deduction (encourages aircraft manufacturers to expand their operations); the film production tax credit amendment (closes dramatic loopholes so that it is harder to abuse); the alternative energy product manufacturers' tax credit (for advanced energy vehicles, fuel cell systems and renewable energy systems); and the advanced energy tax credit (for solar and wind energy). Finally, Secretary O'Donnell concluded by noting that there are increasingly targeted tax credits for specific industries, and these credits are designed to build an economic base in rural communities.

Norton Francis, chief economist, Legislative Finance Committee (LFC), provided the committee with a report on monitoring and evaluating tax incentive programs. Mr. Francis noted that 45 tax incentives were reviewed. Major issues the LFC found with tax incentives were inconsistent reporting; a lack of transparency in the reports; a lack of balance for taxpayer reporting requirements (simplicity versus accountability); inconsistent definitions (i.e., rural, small business, new jobs criteria); and seven out of 45 of the tax credits had sunset dates that will become restrictive. The LFC also found a lack of agency coordination.

Jim Nunns, tax policy director, Taxation and Revenue Department, informed the committee that the department is undertaking a multiyear, comprehensive review and analysis of tax expenditures, and he provided a tentative outline of this review. The goal of the review is to make business tax credits simpler, more uniform and targeted, and to consolidate tax credits where necessary.

### **Report on GRIP II Updates and Economic Development Strategies Relating to Transportation**

Rhonda Faight, secretary, department of transportation, reported to the committee that the Federal Accounting Department has alerted the federal Department of Transportation (DOT) that the Highway Trust Fund is going to be short of what funds were guaranteed, creating a \$16.5 billion deficit nationally. She also informed the committee that New Mexico has been identified as the fourth most efficient state in usage of funds for highway construction projects. Every project in GRIP I is in the process of being completed and 11 are completely finished.

Secretary Faight also provided an overview of House Bill 2 and the appropriations given out of the severance tax bonds and general fund for transportation projects. She reported that the New Mexico DOT received 95 applications for funds, which are judged according to project readiness and availability of required match. In 2007, 41 projects were selected for severance tax bonds based on application criteria. Secretary Faight reported that a total of \$94.7 million in bonds have been issued for the 2007 calendar year. On general questioning from the committee, Secretary Faight added that severance tax bond projects are already approved, and at this stage the New Mexico DOT is ensuring that 2007-2008 severance tax bonds will go to these projects. Also, investments are yield restricted and, in relation to construction costs, the investments are not keeping pace. The 35% increase in construction costs was unexpected, but is still less than the increase seen in other states.

The committee recessed at 4:36 p.m.

### **Tuesday, July 31 Committee Business**

Senator Sanchez welcomed the committee members and guests.

Upon a motion by Senator Martinez and seconded by Senator Ryan, the committee approved the minutes from the first meeting.

### **Report on Village of Corrales**

Phillip Gasteyer, mayor of Corrales, provided the committee with a report on the development of the Village of Corrales. Mayor Gasteyer told the committee that Corrales has been around since 1720, but was not incorporated until 1971. The mayor estimated that there are about 9,200 residents. There is no central water or sewer system, no sidewalks and very few street lights in Corrales. The village has chosen to leave seven miles of bosque along the river preserved, and farmland preservation by the community and volunteers has maintained the

character of the community. The Main Street program has taken the lead in economic development and tourism and Money magazine rated Corrales as the nineteenth best place to live in the United States. Tourist attractions include the old church, built in 1868, which is used for concerts, weddings and movie filming, as well as the museum that preserves Spanish and Mexican colonial life.

Mayor Gasteyer introduced Donnie Leonard, village commissioner, who spoke about the large amount of equestrian activity in Corrales. Mr. Leonard also shared that there are about 5,000 registered voters in Corrales and that they have a 65% turnout rate. Additionally, Mr. Leonard reported to the committee that the village has a recreational center with a gym, swimming pool, basketball court and tennis court. A skate park is being built, and the village is also very proud of its library.

### **Report on Main Street Program**

Rich Williams, Economic Development Department (EDD), reported to the committee that there are currently 15 urban programs and they are serving 31 communities, including Chama. Funding for a Main Street program costs \$30,000 a year and provides the resources for downtown revitalization. Main Street ensures that investments are successful. Mr. Williams explained that a Main Street manager is a professional in economic development and assists locals with moving projects forward. Main Street is about restoring the life and personality of communities because downtowns tell the stories of these communities. The investment statistics are good and Main Street wants to continue to build the program.

Brent Earnest, senior fiscal analyst, LFC, provided the committee with an overview of the Main Street program's organization, operating budget, capital outlay and performance. Regarding the program's organization, Mr. Earnest explained that Main Street is a division of the EDD and is the statewide coordinating program helping local Main Street organizations revitalize. The local Main Street programs conduct the planning, coordinating and fundraising. Mr. Earnest reported to the committee that the Main Street budget for FY08 is about \$1 million, including salaries and benefits, travel and other operating expenses. With regard to capital outlay, Mr. Earnest noted that over the last three years, Main Street has received \$4.5 million in funding. The performance of the program has been strong and successful. In FY07, Main Street created 115 new businesses, 535 new jobs and more than \$8 million in private investments. Mr. Earnest asserted that the legislature should expect increased performance results in the coming years.

### **Site Tour of Village of Corrales**

The committee conducted a site visit of the Village of Corrales.

### **Site Tour of Bernalillo Main Street**

The committee conducted a site visit of Bernalillo planning developments conducted by Maria Rinaldi.

The committee adjourned at 1:15 p.m.

