

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

**June 6, 2012  
Room 322, State Capitol**

The first meeting of the Economic and Rural Development Committee (ERDC) for the 2012 interim was called to order by Representative Debbie A. Rodella, chair, on Wednesday, June 6, 2012, at 10:12 a.m. in Room 322 of the State Capitol in Santa Fe.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Bernadette M. Sanchez, Vice Chair  
Rep. Ernest H. Chavez  
Rep. Nate Gentry  
Sen. Clinton D. Harden, Jr.  
Rep. Yvette Herrell  
Rep. Patricia A. Lundstrom

**Absent**

Sen. Mark Boitano  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Dianne Miller Hamilton  
Sen. Richard C. Martinez  
Sen. Howie C. Morales  
Sen. David Ulibarri

**Advisory Members**

Sen. Rod Adair  
Sen. Sue Wilson Beffort  
Rep. Zachary J. Cook  
\*Rep. George Dodge, Jr.  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Rep. Andy Nuñez  
Sen. John Pinto  
Rep. Richard D. Vigil

Sen. William F. Burt  
Rep. Sandra D. Jeff  
Sen. George K. Munoz  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Sen. John M. Sapien  
Rep. Thomas C. Taylor

\* Promoted to a voting member for this meeting.

**Guest Legislator**

Sen. Carlos R. Cisneros

**Staff**

Peter Kovnat, Legislative Council Service (LCS)  
Sean Sullivan, LCS  
Melissa Candelaria, LCS

**Guests**

The guest list is in the archived meeting file.

**Handouts**

Copies of all handouts are in the meeting file.

**Wednesday, June 6****Call to Order**

Representative Rodella called the meeting to order at 10:12 a.m. and welcomed the committee and members of the audience to the meeting. She then asked committee members and staff to introduce themselves, which they did.

**Initiatives and Legislative Priorities of the Tourism Department**

Monique Jacobson, secretary, Tourism Department, introduced herself and her staff to the committee. Secretary Jacobson noted that tourism is a \$5.5 billion industry in New Mexico and stated that her presentation would center around four strategic areas where the department is working to improve in the next year.

First, Secretary Jacobson stated that the department is working to build a stronger magnetic brand for the state. Secretary Jacobson described the initial phase of the New Mexico True advertising campaign launch in surrounding states. Secretary Jacobson then addressed how the department has redesigned its web site. The web site was made more user-friendly and designed to serve as a conversion vehicle for smaller rural areas, with future phases to include the addition of a booking agent. Secretary Jacobson went on to note that a goal of the department was to strengthen its social media presence. The level of interaction with users on Facebook, Twitter and YouTube has increased. Secretary Jacobson then outlined a more aggressive public relations plan, including a recent media event in New York to target tourism publishers.

Second, Secretary Jacobson noted that a major goal is to unify and lead tourism industry partners. Secretary Jacobson explained ways in which the department could leverage its scale to create financial advantages for its partners. She talked about the marketing partnership program, which provides advertising templates to communities around the state; the New York press event; and economic impact modeling, which any community can do for \$5,000. Secretary Jacobson explained the reasoning behind launching an industry web site, which was primarily to provide a one-stop shop for anyone in the industry to know what the department is doing and to foster communication between partners. Secretary Jacobson then discussed the co-op program, which in fiscal year (FY) 2012 resulted in 159 entities working together to promote their areas or regions, up from 24 in FY 2011. Secretary Jacobson also mentioned the Indian tourism program, which collaborated with chambers of commerce and tribal administrators to form an Indian tourism press trip and conducts personal outreach to understand the unique needs of tribes.

Secretary Jacobson noted that the third goal of the department is to ramp up its financial and research rigor. Secretary Jacobson summarized the efficiencies gained during the last fiscal year, including *New Mexico Magazine* going from operating at a \$600,000 deficit to becoming a self-sustaining entity, while improving the content and delivery. Secretary Jacobson added that the department increased FY 2013 advertising spending by \$500,000 by reallocating dollars, while spending \$56,000 less on travel between FY 2011 and FY 2012. Secretary Jacobson emphasized the importance of conducting quantitative and qualitative research and key driver studies to inform advertising campaigns. Secretary Jacobson also stated that the department would be conducting an economic impact study and a return on investment (ROI) study in the fall to ensure that every dollar spent creates an adequate ROI.

Lastly, Secretary Jacobson explained the department's initiatives to promote travel within the state. Secretary Jacobson described the Catch the Kid campaign, which generated between \$4 million to \$5 million in direct economic impact and led to 15,000 people traveling within the state. Secretary Jacobson went on to detail the Get the Picture campaign, which was designed to promote the New Mexico centennial. This campaign has already resulted in 5,000 photo submissions and over 54,000 web site visits. Secretary Jacobson finished by showing the committee New Mexico advertising campaigns since 2006, explaining their flaws, and presenting the New Mexico True campaign.

## **Questions**

A committee member noted that he was working with the Hobbs Chamber of Commerce, New Mexico Department of Transportation (DOT) and other organizations to put together a welcome center. He then asked if the Tourism Department would be willing to work with them to develop this center and invited someone from the department to the next meeting. Secretary Jacobson stated that someone from the department would be at the next meeting and would help with brochures and provide training.

A committee member inquired into the science behind the department's initiatives. She noted that this information is tied into the budget requests, so it would be helpful for the secretary of tourism to present the methodologies used. The legislator also asked how long advertising campaigns usually run. Secretary Jacobson noted that the department is working with Longwoods International and that emotion and brand building is what drives tourism. Secretary Jacobson did state that insights into the science will be derived from the ROI study. She also stated that the New Mexico True campaign should be indefinite, while the True/False campaign should last around three to five years.

Another committee member stated that she likes the new advertising approach and noted that a niche should be to have New Mexico residents travel to nearby towns in the state. The committee member asked about additional avenues for advertising and how to ensure that small communities are using the Tourism Department. Secretary Jacobson explained that New Mexico residents are less likely to travel within the state than they are to travel to the surrounding states. The Catch the Kid and Get the Picture campaigns are designed to spur in-state travel.

A committee member questioned whether there were any results of the economic impact modeling to see and what the value was for communities to take advantage of this research. Secretary Jacobson directed the question to Jim Orr, who runs the economic impact modeling for

the Tourism Department. Mr. Orr stated that the department is hiring two companies to conduct an ROI study of summer advertising. Longwoods International will complete the survey portion in surrounding areas to ask about New Mexico tourism, and Tourism Economics will measure the impact on taxes and the revenue to local industries in more detail. Mr. Orr also explained that the ROI study serves to educate the community about the impact of tourism.

Another committee member asked what type of work is being done to help and promote the ski industry. The legislator then inquired into the ideas that resulted from the tourism conference in Taos and noted that there is an opportunity for the DOT, the Tourism Department and Taos County to work together to build a comfort station along the road to Taos.

Secretary Jacobson stated that the governor has emphasized January as a winter sports month and that more ski-related advertising would occur as winter nears. She also explained that the Taos conference was used to roll out different templates and regional marketing programs to help explain how the New Mexico True advertising campaign would help northern New Mexico.

A committee member asked about whether the chile festival in Hatch is being promoted. Secretary Jacobson stated that Hatch will be highlighted more, especially on the web site and for drive-through travelers.

Another committee member asked whether the department is just targeting neighboring states or all of the United States. She also questioned how the numbers from the Catch the Kid campaign were quantified. Secretary Jacobson replied that the department is targeting just surrounding areas, but it plans to expand if its budget grows. Secretary Jacobson explained that the equation consists of multiplying the number of people participating by the average number of clues. The legislator suggested that a link be placed on the web site to assist entrepreneurs and asked how the business listings on the web site were derived. Secretary Jacobson turned the question over to Jordan Guenther from the Tourism Department, who noted that the listings were drawn from the previous web site. The committee member suggested that the department contact the chambers of commerce of the communities, because communities generally do not know what the department offers. The legislator finished by requesting that the Tourism Department return for the last meeting to make a presentation about the results of the ROI study.

### **Considering Children's Savings Accounts and Prize-Linked Savings Accounts**

Ona Porter, president and chief executive officer (CEO), Prosperity Works; Sharon Henderson, vice president of strategic initiatives, Prosperity Works; Nathaniel Martinez, co-owner, Hairway to Heaven; and Ruth Hoffman, representative, Lutheran Advocacy Ministry, introduced themselves to the committee.

Ms. Henderson provided the committee with an update on prize-linked savings accounts. Ms. Henderson talked about legislation that was introduced last year to link prizes to savings behavior and noted that it was unsuccessful because of issues with the New Mexico state gaming compact. She announced that several credit unions have been organizing a modified version of a save-to-win product under traditional raffle laws, which would not require further legislation. Ms. Henderson finished by avowing the success of prize-linked accounts in encouraging savings, pointing to the sharp increase in savings in Michigan.

Ms. Henderson went on to present an overview of the economic impact of individual development accounts (IDAs) in New Mexico. Ms. Henderson stated that Prosperity Works is involved with asset development and maintains an IDA network throughout the state. Ms. Henderson noted that jobs are being created all over the state and that around 60% of the account savers are from rural areas.

Mr. Martinez explained to the committee how Prosperity Works has helped him to expand his business. Mr. Martinez explained the process that he went through to receive matching funds, including creating a business plan and completing a training module.

Ms. Hoffman discussed the sporadic nature of state funding to IDAs and emphasized the positive impacts that would result from a \$500,000 state appropriation. Ms. Hoffman stated that this investment would lead to \$10.4 million in mortgage holdings, 210 new locally owned and locally managed jobs and 168 new graduates with an earning power of nearly \$1.75 million.

Ms. Porter outlined the new children's savings accounts initiative. Ms. Porter noted that asset poverty is far greater than income poverty, especially among low-income communities. She went on to assert that the gap in standardized test scores between low- and high-income students has increased by 40% and that half of children under five years of age in New Mexico are living in poverty. Ms. Porter said that children's savings accounts can solve some of these problems.

## **Questions**

A committee member asked if Prosperity Works targets certain areas and whether lower-income individuals contribute their own money to IDAs. Ms. Porter stated that it targets rural New Mexico because that is the hardest area to serve. She went on to explain that all of the participants in the program contribute their own money and then are matched four to one. The participants can use this money to buy a home, to start a business or to receive higher education.

Another committee member asked if the program is designed for rural New Mexico and in which counties the program currently operates. Ms. Henderson stated that the goal is to bring resources into rural areas before urban areas and that eligibility is 200% of the federal poverty level and lower. She also noted that Prosperity Works is trying to find more partners in areas with scarce resources. The legislator then asked whether the program targets post-secondary educational institutions or businesses and if the program helps farming and ranching industries. Ms. Henderson responded that the company's partners are usually nonprofit organizations that can offer IDAs and coach savers, and then the savers choose what they want to put their investment toward. Ms. Henderson finished by reporting that there are a number of savers in the agriculture industry.

A committee member inquired into how she could reach out to her constituents to let them know about the program and what kind of organizations can serve as partners. Ms. Porter stated that members should be conduits to those who would be good participants and that they may extend an invitation to host a community meeting. Ms. Porter also noted that there is a variety of partner organizations, but they are usually restricted to those that have a comprehensive approach to helping families.

Another committee member questioned where the matching funds came from. Ms. Porter stated that it comes from about \$1.5 million in state funds, \$3 million in federal investments, 14 banking partners and other community corporations and organizations.

A committee member cited her excitement about the new savings accounts, but she noted that a concern was how these savings accounts impacted families where grandparents were on disability and raising grandchildren. The legislator urged the committee members to read the pamphlet provided by Prosperity Works.

### **New Mexico Partnership: Attracting New Businesses to New Mexico**

Steve Vierck, president and CEO, New Mexico Partnership, introduced himself to the committee. He stated that the mission of the partnership is to expand existing businesses and encourage and assist the location of new industries and businesses in New Mexico.

Mr. Vierck stated that, as a state, New Mexico ranked forty-fourth between 2009 and 2011 in attracting larger employers. He noted that an improvement to the middle of the pack would add 10 large projects per year, with a projected total of 1,700 jobs and \$250 million in capital investment. Despite these statistics, Mr. Vierck pointed out that there are opportunities for New Mexico to compete, especially in relation to small and medium projects in rural areas. Mr. Vierck explained that New Mexico could capitalize on these opportunities by completing development and permitting more rapidly.

Mr. Vierck remarked that the most active types of projects for corporations in New Mexico include transportation and distribution, customer service and technical support, aerospace, food processing and energy. Mr. Vierck stated that New Mexico has a broad array of regional assets that can be used to attract business. He explained that New Mexico is a "value" location, whose competitive advantages include a bilingual work force, abundant energy resources, research and testing facilities, low property taxes and no inventory taxes, numerous tax credits and a strong Job Training Incentive Program (JTIP).

Mr. Vierck also reminded the committee of the perceived competitive disadvantages of doing business in New Mexico. These disadvantages include the lack of a trained and experienced work force in many communities, few existing buildings, a small population and market, a confusing tax system, lack of a closing fund and not being a right-to-work state.

Mr. Vierck noted that the New Mexico Partnership is committed to a public-private sector marketing approach to attract businesses. He summarized the partnership's success to date, which includes recruiting 42 companies, leading to the creation of over 12,000 jobs, 4,000 of which have been rural, and spurring over \$1 billion in capital investment. In addition, although the partnership's budget has decreased to just over \$600,000 in FY 2012, there have been nearly 1,000 jobs created.

Mr. Vierck finished by discussing the partnership's target industries, marketing strategy and marketing initiatives. Target industries include advanced manufacturing, aerospace and defense, technical support, digital media, energy and natural resources. Mr. Vierck went on to explain the five-factor marketing approach and new marketing initiatives, including face-to-face

sales missions, improvement of the web site, direct mail, social media and increased presence at trade shows.

### **Questions**

A committee member asked Mr. Vierck to discuss what a closing fund is, whether other states have closing funds and whether those states have antidonation clauses in their constitutions. Mr. Vierck explained that a closing fund is used to contribute money toward projects that are considering entering the state and that a majority of states, even ones with antidonation clauses, have these funds. The legislator then inquired into how the partnership develops relationships with two-year colleges, noting that community colleges are flexible and able to offer a number of certifications to meet the needs of corporations. Mr. Vierck agreed that community colleges are essential and that training those schools with the skills businesses are seeking is important.

A committee member commended the partnership for doing a good job given its small budget. He noted that the biggest competitive disadvantage in the state is onerous state regulations. The legislator cited Construction Industries Division of the Regulation and Licensing Department (RLD) regulations as the biggest reason why companies build in west Texas rather than in New Mexico. Mr. Vierck replied that he has also heard this complaint from other areas near the Texas border and that construction prices are more expensive in New Mexico because of the additional regulatory cost.

Another committee member asked how much the partnership's budget has declined. Mr. Vierck noted that the budget peaked in FY 2008 at \$1.6 million and has declined to \$630,000 in FY 2012. The legislator recommended that at the last interim meeting, the committee look at legislation to increase the partnership's budget.

A committee member asked whether anyone from the RLD was involved in the economic development decisions made by the partnership. Mr. Vierck stated that he had not been in the job long enough to determine this, but that as a small state, New Mexico should be able to make licensing decisions more quickly.

Another committee member requested that the partnership provide a specific, tangible plan on what the legislature can do differently regarding regulations.

A committee member asked whether the years on the graph included in the handout were fiscal years or calendar years and stated that it would be helpful to see what types of jobs were created. Mr. Vierck replied that the years on the graph were fiscal years and that the numbers could be broken down further by region.

### **Aiming for Consistency in the Rulemaking Process: Senate Bill 30 (2011) and House Bill 34 (2012)**

John Hyrum Martinez, state records administrator, introduced himself to the committee. Mr. Martinez stated that rules are written by state agencies to clarify implementing statutes passed by the legislature and noted that there are over 3,000 state rules covering a broad array of subject matters. He went on to explain that the State Rules Act (enacted in 1967) governs promulgation of these rules but does not address areas such as adjudication.

A committee member asked Mr. Martinez how agencies determine what standards to use when implementing rules. The legislator commented that when the legislature passes legislation that has enabling authority for agencies to promulgate rules, each agency seems to take its own approach. Mr. Martinez stated that New Mexico has exempted state agencies from the Administrative Procedures Act, and the result is that agencies follow different standards. He noted that some agencies have developed a procedure for promulgating rules, while other agencies continue to use an ad hoc process.

Mr. Martinez explained that New Mexico is different because the state does not have a functioning Administrative Procedures Act, which makes it difficult for the public to participate in rulemaking. He added that a number of bills have been introduced to clarify state administrative procedures, including SJM 7 in 2010. Mr. Martinez stated that New Mexico has 12 representatives on the Uniform Law Commission, which is involved in drafting the model State Administrative Procedure Act. The Uniform Law Commission determined that the 1981 model act was inadequate and revised it in 2010 to make it shorter, more modular and consistent with federal case law.

Mr. Martinez asserted that although SJM 7 was not passed in 2010, a task force was established to look into making the process more consistent, understandable and open to the public and less burdensome for the legislature and agencies. He noted that the task force decided to amend the State Rules Act rather than push for an entirely new act. The task force recommended new promulgation steps to the legislature, including the addition of a regulatory agenda and preliminary outline, increased opportunities for other organizations to participate in drafting, emergency rulemaking, time limits for promulgating rules, procedural rules and the ability of the public to participate. Mr. Martinez added that the task force members worked together to draft Senate Bill 30 in 2011, which was also introduced as House Bill 34 in 2012, both of which failed to pass both houses. Mr. Martinez finished by addressing the discussion draft of a new bill, which has slight changes from the earlier versions but still incorporates the major changes suggested by the task force.

## **Questions**

A committee member commented that agencies are able to adopt regulations without legislative oversight and inquired into whether there is any provision in the Constitution of New Mexico that prohibits the legislature from removing rules or regulations over the authority of the agency. Mr. Martinez stated that the United States Supreme Court decision in *Immigration and Naturalization Service v. Chadha*, 462 U.S. 919 (1983), governs this situation, and that the legislature generally cannot go back and do away with agency decisions because of the necessity to maintain separation of powers. He did note, however, that there are a few states where the legislature can rescind executive rules and others where the legislature can review and hold up a rule. The committee member said that without the ability to rescind regulations, legislation must be written very strictly and technically so that an agency could not overstep its bounds. The legislator also noted that it would be beneficial to see a list of what the task force recommended. She then stated the need for legislators to know what regulations are coming down from the federal level. Mr. Martinez explained that when federal regulations are promulgated, states may have to pass their own regulations or may be able to incorporate the federal regulations by reference.

Another committee member added that when the legislature passes legislation, it seems that agencies are circumventing its intent. The legislator also noted that the discussion draft of the new bill contains a provision that requires agencies to submit rules to the LCS for distribution during the drafting process to the appropriate committees. The committee member also remarked that members should look at the new draft bill and make any suggestions so that Mr. Martinez could return at the end of the interim to make any changes and receive the committee's endorsement.

A committee member thanked the committee and Mr. Martinez for discussing this issue early in the interim session and expressed optimism that the bill would pass in the 60-day session.

### **Successes, Challenges and Legislative Priorities of the Economic Development Department**

Jonathan L. Barela, secretary, Economic Development Department (EDD), introduced himself and his staff to the committee.

Secretary Barela began by stating that the state is seeing positive macroeconomic indicators, including nine consecutive months of job growth, an unemployment rate below the national average and strong growth in the transportation and extracting industries, and is ranked eighth in the nation in business growth potential. The secretary listed several businesses that were new or expanding into New Mexico in 2011 and 2012.

Secretary Barela went on to summarize the department's successes to the committee. First, the secretary asserted that the JTIP is one of the best economic development tools available. JTIP funded 30 projects and created over 1,000 jobs in FY 2012. Second, the secretary described the Office of Business Advocacy, which acts as a caseworker for small businesses. This program has a caseload of 132 businesses, has created 528 rural jobs and 86 urban jobs and has saved 204 rural jobs and 44 urban jobs. Third, Secretary Barela mentioned the EDD's New Mexico Film Division, which includes 38 total projects and accounts for \$155.2 million in direct spending. Fourth, the secretary documented the growth in New Mexico's international exports, noting that the state's growth rate is the third largest in the country. In addition, over 1,000 New Mexico businesses exported to 210 foreign markets. Fifth, Secretary Barela discussed the MainStreet Program, which spawned 103 new businesses, created 467 jobs and reinvested over \$9 million in the private sector, primarily in rural communities. Finally, the secretary stressed the importance of ensuring access to capital and mentioned a \$13 million federal grant from which the department will fund a small business initiative. He added that the new markets tax credit has been effective, creating over 1,200 jobs.

Secretary Barela continued by detailing six new department initiatives. First, the secretary emphasized the redesign of the state's data center. This data center is an important resource for businesses looking to relocate or expand into New Mexico because it contains centralized links to relevant web sites and other economic development tools. Second, Secretary Barela spoke about the state's eight target industries, including energy, aerospace and defense, logistics and transportation, digital media and technical support. Third, the secretary noted that the state is still heavily involved in the film industry and is looking to increase production recruitment and expand digital and emerging media and film tourism. Fourth, Secretary Barela mentioned the Rural Economic Development Council, which strives to identify sustainable

industries for rural areas and to ensure rural participation in economic development incentive and training programs. Fifth, the secretary avowed continued success of the business incubator program, which in FY 2012 assisted 102 businesses and represented a strong ROI for the state. Last, Secretary Barela documented the department's community development efforts, including personal visits to all but two New Mexico counties. The secretary added that the department has reorganized tribal efforts around five regional liaisons and has created the nation's first Native American MainStreet.

Secretary Barela went on to discuss the seven main challenges facing the department. First, the state lacks a closing fund to recruit, retain or expand businesses to create jobs. Second, the secretary explained that there was a backlog of 17 communities seeking a MainStreet designation. Third, Secretary Barela outlined several financing issues, including the underutilization of improvement districts and lack of funding for certain programs. Fourth, the secretary cited infrastructure gaps in roads, broadband, rail, housing and water systems as a challenge for the state. Fifth, the secretary noted the regulatory impact on businesses. Sixth, Secretary Barela described the uneven labor supply, notably the full employment rate in the southeastern part of the state compared to higher unemployment rates elsewhere. He added that the department is working with community colleges to meet work force needs. Lastly, Secretary Barela commented that the biggest challenge would be the reduction in federal spending. The secretary stated that FY 2013 budget cuts would lead to an estimated loss of 20,000 jobs in New Mexico and noted that further discretionary budget cuts are on the horizon.

Secretary Barela finished by pointing out that the department has an impressive ROI. In the last five years, the department assisted in the creation of 18,393 direct jobs with a payroll of \$912 million. The secretary explained that for every dollar invested in the department's activities, the companies and their employees returned \$2.16 to the state.

## **Questions**

A committee member asked if the department is engaged in any international trade activities in conjunction with the New Mexico Department of Agriculture and whether the trade numbers provided by the secretary include the New Mexico Department of Agriculture's activities. Secretary Barela stated that the EDD does some outreach with the New Mexico Department of Agriculture, particularly in the area of cattle, chile and pecans. He added that the numbers provided are from the United States Department of Commerce.

Another committee member inquired into the film tax credit as it relates to television series. He also questioned whether the film tax credit is expected to reach its cap. Secretary Barela explained that certain aspects of filming are more transitory than others and that television series are traditionally more permanent. The secretary noted that the department is trying to capitalize on the permanency of the film industry and that the \$50 million cap should not be reached.

A committee member wondered how the department chooses the films to receive the money if the \$50 million cap is reached. Secretary Barela responded that it is a first-in, first-out system, and that if a film misses out one year, its spot in line rolls over to the following year.

Another committee member commented that New Mexico should capitalize on the film industry and that the loss of jobs due to the federal decrease in spending could be replaced in part with film industry jobs. Secretary Barela reiterated that the job loss figures include highly trained and specialized jobs, and he agreed that it is important to keep them in the state. He further added that New Mexico should take advantage of line-item increases to certain programs.

A committee member asked why so few films are being made in Gallup and questioned whether it is because production companies have contracts that preclude them from traveling beyond 50 miles of the production. The legislator requested that the LCS take a look into why production companies have these travel restrictions and whether they can be dealt with administratively or just contractually. Secretary Barela explained that in at least one instance, a major production company wanted to be near the studios because of cost concerns and the availability of a trained work force. Secretary Barela also added that the department cannot mandate that the production companies shoot in certain locations. The committee member responded that some areas are not seeing any benefits and that, if that remains the case, there should be a discussion of incentive reductions. The member also stressed the need to have tax incentive evaluations and requested that the secretary present on the issue of the effectiveness of various tax credits. Another committee member interjected and commented that the Revenue Stabilization and Tax Policy Committee had a comprehensive list of New Mexico's tax credits and stated that the goal was to include sunset clauses in new tax incentives. Secretary Barela pointed out that there are over 350 tax credits, deductions and exemptions and that only \$84 million was earmarked for economic development. The committee member reiterated that tax incentives within the department should be cleaned up.

Another committee member inquired into the prevalence of the logging industry and noted that there is a potential for an increase in logging. The secretary explained that timber is not exclusive to one area but is dispersed among the counties. He also stated that traditional Hispanic and Native American communities have faced difficult economic times because outside environmental interests have made it difficult for them to take advantage of natural resources to make a living.

A committee member commented that the legislature has sought a Tax Expenditures Act every year, but to no avail. The legislator also noted that SB 47 (2010) requires an inventory of economic development tax incentives and that this report should be provided to the committee by the end of the interim. Secretary Barela stated that he, too, wants to see the ROI of these tax credits but that there are issues with accessing tax records.

Another committee member asked whether there is a business incubator in Otero County and whether the department has considered a bill that would transfer federally owned public lands back to the state. The legislator commented that this reversion of land would increase the revenue of the state. Secretary Barela first noted that there is not a business incubator in Otero County, and he remarked that a government closer to the people functions better and that there should be a stop to federal encroachment on state and private lands.

A committee member requested that the department send the committee more detailed information regarding the jobs created by the Office of Business Advocacy. The legislator also requested that someone from the department present a more comprehensive report on the film

industry, in particular noting the impacts of the changes to the film tax credits. Lastly, the committee member requested that someone from the department make a presentation about aid for small businesses at the Chama meeting. Secretary Barela stated that someone from his office would be at the meeting to discuss financing, micro-lending and other tools to help small businesses.

### **ERDC 2012 Work Plan**

Mr. Kovnat stated that he would discuss the endorsed legislation from the previous year, the committee calendar and the committee work plan.

Mr. Kovnat explained that the only endorsed legislation from the last year was SJM 20, which requested that the state make the energy industry a central component of the state's economic development plan. He noted that this legislation died in committee.

Mr. Kovnat informed the members of the committee that their packets contained an interim committee calendar, which was the most recent draft. Mr. Kovnat also asserted that the committee has an aggressive work plan and that the committee would ask the New Mexico Legislative Council for an additional two-day meeting in Albuquerque in October.

A committee member questioned whether it was possible to switch the Gallup and Truth or Consequences meetings. Upon a motion by Representative Rodella, the committee voted without objection to approve the meeting schedule and locations with the change between the August and September meetings.

Mr. Kovnat proceeded to go through the work plan number by number, and the committee members made additions and retractions.

A committee member introduced a constituent who is the economic development coordinator in Gallup.

Upon a motion by Representative Rodella, the committee voted without objection to approve the work plan.

### **Adjournment**

There being no further business before the committee, the first meeting of the ERDC adjourned at 5:19 p.m.