

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

**June 8, 2011
Room 322, State Capitol**

The first 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, June 8, 2011, in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Debbie A. Rodella, Vice Chair
Sen. Mark Boitano
Rep. Ernest H. Chavez
Rep. Mary Helen Garcia
Sen. Mary Jane M. Garcia
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Yvette Herrell
Rep. Patricia A. Lundstrom
Sen. Howie C. Morales
Sen. David Ulibarri

Advisory Members

Rep. Zachary J. Cook
Rep. George Dodge, Jr.
Rep. James Roger Madalena
Rep. Andy Nuñez
Sen. John Pinto
Rep. William "Bill" R. Rehm
Rep. Thomas C. Taylor
Rep. Richard D. Vigil

Staff

Peter Kovnat, Legislative Council Service (LCS)
Pam Stokes, LCS
Carmella Casados, LCS

Guests

The guest list is in the meeting file.

Absent

Sen. Kent L. Cravens
Rep. Nate Gentry
Sen. Richard C. Martinez

Sen. Rod Adair
Sen. Sue Wilson Beffort
Sen. William F. Burt
Rep. Sandra D. Jeff
Sen. Timothy M. Keller
Sen. Carroll H. Leavell
Sen. George K. Munoz
Rep. Nick L. Salazar
Sen. John M. Sapien

Handouts

All handouts are in the meeting file.

Wednesday, June 8

Introductions

Legislators and staff introduced themselves. Senator Pinto noted that he is not retiring. Representative Jim Hall, appointed by the governor to replace Representative Jeannette O. Wallace, introduced himself to the committee.

Review of Interim Committee Protocols

Doris Faust, assistant director for drafting services, LCS, presented a refresher course on committee protocol. She began by discussing quorums and said that a quorum for the ERDC is eight voting members present because the committee consists of 15 voting members. Once established, a quorum is presumed to exist unless it is challenged. A committee can meet as a special subcommittee without a quorum, but only for hearing testimony and not for taking action.

Ms. Faust also discussed the blocking provision for most committees, in which a majority of those members appointed from the house or senate can block the action of the committee. She explained the per diem and travel reimbursement system for the legislature and asked members to indicate their preferred method of being contacted for committee business.

Ms. Faust next discussed the difficult task of scheduling committee meetings during the interim to avoid scheduling conflicts. She said that the current proposed schedule minimizes conflicts as much as possible for voting members of committees, but that the schedule is not able to address conflicts for advisory members.

Ms. Faust also noted that there were budget cuts this year, but despite that, the ERDC is scheduled for eight meeting dates this interim, the same as the previous year. The New Mexico Legislative Council asked that all committees finish their work by December 1 and that travel outside of Santa Fe be completed by the end of August. There will be no committee meeting dates in September due to a special redistricting session. In the past, legislators were allowed four additional meeting dates outside of their assigned committees, but that may be reduced to two or three. In an attempt to save money and prevent waste, legislators were asked to opt in if they want hard copies of any meeting notices; otherwise, they would all be notified by email.

Finally, Ms. Faust discussed vouchers and how they must be filled out completely for the legislators to receive their per diem.

Questions

A legislator asked for a copy of the rules that were discussed as far as committee protocols, a report on the cost savings based on the limited travel and a list of members and committee assignments. Ms. Faust responded that she would provide that information to the

committee.

Summary of 2011 Legislation

Mr. Kovnat provided a summary of legislation from 2011 that related to economic development, including legislation endorsed by the ERDC, as well as legislation considered by the 2010 interim Regulatory Process Subcommittee. (See handout.)

The ERDC endorsed 15 substantive measures, of which one was ultimately enacted. The committee-endorsed measure that passed was Senate Bill 262 (Laws 2011, Chapter 129), which changes the Construction Industries Commission authority over municipal inspectors and provides flexibility to municipal building officials.

Committee Discussion of Endorsed Legislation

A legislator noted that the previous year, the ERDC did not have any of its endorsed bills passed, and that this year, only one bill passed. The legislator opined that it is unclear how much weight committee endorsements carry.

In response, another legislator said that sometimes it takes more than one year for legislation to be passed and that some of the 2011 bills were major government restructuring bills. The legislator said that many of these are still good issues and should be brought back by the committee.

A third legislator pointed out that the Mortgage Finance Authority Act Oversight Committee endorsed 25 pieces of legislation and only one passed.

A question arose about Senate Bill 147, a bill regarding electronic legal notice, and why it was subject matter for the ERDC and what exactly is the economic and rural development aspect of it.

Mr. Kovnat responded that the ERDC has traditionally dealt with administrative procedures and legal notice issues, particularly with regard to rulemaking, and that could be the reason.

A legislator stated that this bill is related to business and is an industry issue as well as a legal issue.

The legislator that posed the question thought that the economic issues got clouded by the legal issues and this bill would be better housed in the Courts, Corrections and Justice Committee or a committee that deals with legal issues; or perhaps both committees.

The sponsor of the bill said that Senate Bill 147 amends the open meetings law, but that was created years ago and since then, technology has moved forward, and this bill would provide the option to webcast public notice, which would be easier and cheaper to do and would be more effective notice, as print media have lost a lot of readers. The sponsor said that this will happen

sooner or later because of the advance of technology.

Another legislator disagreed with the bill and said that it is all about advertisement dollars and that newspapers rely on this. In rural areas, small newspapers are the only source of New Mexico news. There is a concern about rural newspapers and a feeling that they need to be protected. This legislator went on to say that this subject matter is definitely for this committee.

Vision and Legislative Priorities of the Economic Development Department

Jonathan L. Barela, secretary-designate, Economic Development Department (EDD), noted that the EDD is one of the smaller executive agencies and that it has had a decrease in full-time-equivalents (FTEs) from 95 to 55, although it tries to be as effective as possible. The EDD has created the Office of Business Advocacy, a one-stop shop to talk to people about business and regulation. It is primarily for small businesses, has been very successful and has even received calls from legislators.

The EDD is currently waiting for a new film office director, which should be announced soon. The division dedicated to Mexican national affairs has been eliminated, and the EDD is looking into how to reorganize itself to handle international trade.

The Office of Science and Technology has been reduced to one FTE, and the Office of Military Base Planning lost four FTEs. In addition, the strategic planning process should become more efficient.

Among the EDD's short-term priorities are the development of a New Mexico borderplex to take advantage of the state's unique geographic situation. There are more than three million people in borderplex area, but development on the New Mexico side of border is sketchy. Dona Ana County passed a job package initiative, which created several hundred jobs.

Secretary-Designate Barela noted that part of the New Mexico renaissance will come from energy, including biodiesel, wind and solar projects, which must involve rural communities. Transmission issues may be a problem, however. There is a huge opportunity to sell this energy output to California, which must get 33% of its energy from renewable sources by 2020. The state must be prepared to offer resources to companies to do business.

Also, oil, gas and uranium mining will lead to rural job creation. Science and technology provide big opportunities with the national laboratories and the high-technology corridor between Kirtland and Los Alamos.

Manufacturing jobs need to be brought to the state, despite New Mexico never having been a haven for manufacturing. Another critical area is agricultural products, which can produce employment in rural areas. These jobs are needed to get a long-term job growth pattern in the state and to create spinoff jobs.

Spaceport America has been a success. It has had some hiccups, but it is on the way to

create jobs there in the long term. It has a new executive director, who makes less money than the prior director. The EDD will do what it can to make sure the spaceport succeeds. Tours started in May, and the spaceport's construction is about 86% complete. There are still some issues with electrical connectivity, but within a year, the spaceport should start operations. In the meantime, people are looking for other uses of the spaceport and to gauge the market.

It is also important to keep existing businesses in the state as well as to attract new ones. That effort has been aided by the State Data Center, which is required by statute to collect economic data and to provide demographic profiles of communities.

The Job Training Incentive Program (JTIP) is the best job recruitment tool the state has, and now Arizona has replicated and improved it. Most communities in the state have benefited from the funding, but it is now down to \$1,200,000, which will not go a long way if one or two big companies decide to come to the state. Without more and consistent funding, companies that may want to do business in New Mexico could face unpredictable circumstances.

The EDD has a renewed commitment to rural areas, and Secretary-Designate Barela has visited 15 rural communities since he has been in office. He is a big fan of the MainStreet Program, and the Silver City program recently received a national honor.

The Office of Military Base Planning and Support plays a key role in national security and job creation, but it needs continued support from the state to make sure military bases are protected. They have a financial impact of \$7 million on the state, and as growth occurs, bases are included in the state's economic strategy.

The New Mexico Partnership is an organization that has had its ups and downs and had its budget cut by half to become more efficient. While it still has a critical role, it needs to do what it was originally created to do, which is job recruitment.

The EDD's legislative priorities are a capital outlay focus on infrastructure, to revise tax incentives and to do work force training.

Questions for Secretary-Designate Barela

A legislator asked if there is a balancing act between the military and transmission lines that may interfere with military activity.

Secretary-Designate Barela said he met with representatives from the White Sands Missile Range and that there is a balance. There is a need for more lines and capability, but military bases will still need buffer zones and space to continue flight operations and training and research and development. The EDD is working with entities, encouraging certain transmission lines that will protect military assets. This is not just a national security interest, but also an economic development issue. The EDD is working on a proper solution to benefit both parties.

The issue of uranium was raised, and it was noted that the resources are there and would benefit rural areas and the state; mining it can be done safely; and there is already an enrichment plant in Eunice in which the uranium is coming from out of state. A legislator said that New Mexico has the tools to mine uranium as long as it is done safely.

Secretary-Designate Barela replied that no one will ever advocate a shortcut to getting a permit that would jeopardize the health of New Mexicans, but there is a clear market demand for uranium, even with the terrible tragedy that just happened in Japan.

Secretary-Designate Barela suggested that New Mexico become the energy center of the country, always keeping in mind the balance between the state's beauty and jobs. The state has the largest uranium deposits in the country.

Another legislator asked about manufacturing and the need to develop and create jobs and mentioned that it is a plus for the state to have the corridor for manufacturing near the border. The legislator also said that the state is sitting on a gold mine with tourism. He next said that property owners in rural areas cannot afford to restore their houses but do not want to lose them, and that the MainStreet Program loaned some money to develop a plan for rural areas and how to bring in some industry.

Secretary-Designate Barela elaborated on the borderplex and said that, currently, infrastructure there is basically nonexistent, but that the plan includes water, roads, electrical connectivity, retail space, manufacturing, research and development and test facilities. Currently, El Paso has all of it, and New Mexico is losing out on border commerce. The best news is that money is moving back to the border and that despite the violence, there are still hundreds of millions of dollars moving to the border. The Fox Con facility will bring 5,000 jobs.

The locomotive fuel tax reduction bill was discussed next, and because of it, rail lines were put in that amount to \$400 million in investment, creating 4,000 construction jobs and 600 permanent jobs, some of which came from Texas. It is hoped that locomotive refueling facilities will lead to logistics facilities and potential manufacturing jobs. In addition, the overweight vehicle bill may create 200 distribution and logistics-related jobs

Another concern is keeping the work force in the state because college graduates currently cannot get jobs.

Secretary-Designate Barela noted that Intel has a local hiring requirement that goes beyond local employees all the way to local contracting. Also, there are training programs in community colleges.

A legislator stated that the senate has not acted on Secretary-Designate Barela's confirmation and hoped it would act on that soon.

A concern was raised that the Arizona fire may be shutting down the transmission lines

in that area, which is all the more reason for more transmission line options.

Questions also arose about biomass and the loss of dairies and what could be done. Moving forward, Secretary-Designate Barela said that Sapphire Energy has a big algae project to convert it to diesel fuel, and that a half-dozen companies in the southeastern and southern part of the state are working in alternative energy solutions. A request was made to have Sapphire Energy give a presentation to the committee.

Also addressed was the water situation at the spaceport, where it was noted that there is sufficient water and that more wells have been drilled. The spaceport is working with local ranchers who allege that water levels have dropped. In almost every case, those problems have been resolved.

Next, a legislator said that, coming from copper country, the legislator knows how important natural resources are. The state has enough natural gas to take care of public schools and uses clean methods. But, the legislator said that a friend indicated that it is too expensive to extract natural gas here and that Texas gas is cheaper.

It was noted that Spaceport America and the RailRunner are controversial because many New Mexicans do not feel that they do anything for them. Perhaps it is a question of getting better public relations to help with how New Mexico residents feel about these entities.

Secretary-Designate Barela spoke of the Regional Representative Program at the EDD and how the five representatives work with local economic development organizations to focus on how to create jobs. The program is not specific to the agricultural industry, but that is part of its work. There was support from the committee members to encourage the assignment of resources to agriculture specifically, as it is a big contributor to the state's economy.

A legislator then said a contractor from Clovis came to him last week and spoke of the difficulty the contractor was having with a building project 30 miles from Clovis and said he never again wanted to deal with a Construction Industries Division inspector. There is a feeling by those in rural areas that the state is not doing enough to keep focus there. The state is losing dairies to Texas because the regulations are atrocious. Over the years, \$32 million worth of dairy business has gone to Texas. There is also concern about the federal farm bill and that farmers may lose their subsidies.

A legislator next asked to have someone give a complete discussion on tax credits, which are significant to rural parts of the state. Senator Sanchez noted that part of the committee's work plan is to get a presentation on the tax credit issue. There was also a request that the EDD give the committee a breakdown of the divisions and persons to contact. Secretary-Designate Barela said this information would be provided.

Next, a legislator spoke of making New Mexico a destination state for working at home, especially because 10% of the nation's economy is home-based and that percentage is growing.

People are moving to the Sunbelt, and this is a good way to attract those people. Secretary-Designate Barela said that this is a good idea and he would look into it. The challenge is creating infrastructure, such as bandwidth, to secondary and tertiary markets.

Secretary-Designate Barela spoke of the three Cs — climate, culture and competition — and said the state needs to work on competition because the other two are already in place.

A legislator raised the concern that rural residents cannot explain what they have to offer, and without that, companies would not want to relocate to rural areas. These smaller communities need to know the numbers and to have strategic planning because without these the communities' stories cannot be told and they will have a difficult time promoting themselves. This is the why the State Data Center is important.

Another legislator said that a lot of businesses can use the JTIP, but it appears to be cumbersome and there is a lot of red tape to access those funds. There seemed to be some cherry picking, and while a billion-dollar company received \$3,000, a smaller business could have benefited more.

In response, it was said that there are varying amounts of funding for the JTIP and the challenge is making \$1,200,000 stretch as far as possible. The JTIP needs more consistent funding so it can be more predictable.

Finally, a legislator said that there is a huge imbalance between the state's small economic base and the large number of public employees and businesses dependent on government contracts. Accordingly, this is not a recipe for success in a recessive economy.

2011 Interim Work Plan and Meeting Schedule Development

Mr. Kovnat presented the following work plan items for the committee's consideration:

1. receive a report on existing tax increment development districts (TIDDs), including an update on the current status of Mesa del Sol and Winrock and how legislative appropriations and capital outlay funds are being spent;
2. receive a presentation from the EDD on its current initiatives, including its vision for the next four years and any proposed legislation or issues that the EDD sees as its top priorities;
3. receive a report on the tax incentives and economic benefits, including a conversion analysis, to the state of the film industry by the EDD and the Legislative Finance Committee (LFC);
4. receive a report on the tax incentives and economic benefits, including a conversion analysis, to the state of the energy industry by the EDD and the LFC;
5. receive a report on the tax incentives and economic benefits to the state of the JTIP by the EDD and the LFC;

6. receive a report from the Tourism Department and the Tourism Association of New Mexico on New Mexico tourism initiatives;

7. study homeowners association (HOA) regulations and laws and their effectiveness and study the statutory and regulatory powers of HOAs and, conversely, the rights of members;

8. consider the economic and rural development impact of the federal stimulus package and other publicly funded projects;

9. receive a report from the Regulation and Licensing Department (RLD) regarding its vision and goals for the next four years and any proposed legislation or issues that it sees as its top priorities, on how to best support and promote businesses in the state and how to improve licensing of businesses in the state;

10. receive reports from various industries and angel investors to assess what must be done to bring jobs to the state. These industries include nuclear energy and waste disposal, oil and gas, mining, agriculture, conservation and recycling, renewable energy and health care;

11. evaluate the economic impact of the wine industry and microbreweries, determine what needs to be done to support these industries, receive a report from the RLD and industry professionals on beer and wine licenses versus liquor licenses and determine whether policy changes are necessary to better support the industry;

12. receive a report on the latest census data that show an increasing shift of population from rural areas to urban areas and discuss what the state's role can and should be regarding the population loss in rural areas;

13. receive an update on Spaceport America, the New Mexico Space Grant Consortium and the state historic space trail;

14. receive a report by the Higher Education Department and the Workforce Solutions Department on what careers are in demand now and in the near future in the state and the extent to which the state is meeting and plans to meet that demand;

15. receive a report by the Los Alamos National Laboratory and Sandia National Laboratories regarding their joint tax credit and how it affects economic and rural development in New Mexico;

16. receive an update on uranium mining in Grants or Gallup on July 22 by the EDD, the Energy, Minerals and Natural Resources Department and the Department of Environment;

17. receive a report on renewable energy job opportunities by Sapphire Energy;

18. receive a report on the New Mexico Partnership on the work that it does and its

funding;

19. consider combining the EDD with the Cultural Affairs Department;
20. receive a report by executive agencies on their performance measures for themselves and their constituent parts;
21. receive a report on how New Mexico can develop as a home-work destination; and
22. examine the needs of rural communities, including individual development accounts.

Committee Discussion on Proposed Work Plan

Regarding item 18, the New Mexico Partnership, it was said that it needs some autonomy as it is the only recruitment arm for the state.

Committee members reiterated the need for more information on tax incentives and wanted to know if there is a correlation between tax credits and gross receipts tax. How do the TIDDs help the state, what capital outlay was given and what was the result of those contributions? There need to be performance measures, despite the governor vetoing the performance measure money from the budget. Without performance measures, how can it be determined whether executive departments are doing their jobs? The measures need to be more specific about what kind of economic benefits the state needs.

Regarding item 7, it was noted that there have been a lot of complaints from HOA members because the industry is not regulated.

Committee wants to consider item 8 as early as possible because federal stimulus money will end in September.

A motion was made to adopt the amended work plan and the meeting schedule, and both were adopted by the committee without objection.

The committee adjourned at 12:30 p.m.