

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

**November 3-4, 2011
Room 322, State Capitol**

D The fourth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Senator Bernadette M. Sanchez, chair, on November 3, 2011 at 9:38 a.m. 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
Sen. Clinton D. Harden, Jr.
Rep. Yvette Herrell
Rep. Patricia A. Lundstrom (11/3)
Sen. Richard C. Martinez
Sen. David Ulibarri (11/3)

Absent

Rep. Nate Gentry
Rep. Dianne Miller Hamilton
Sen. Howie C. Morales

Advisory Members

Sen. Rod Adair (11/3)
Rep. Zachary J. Cook
Rep. George Dodge, Jr. (11/4)
Rep. Andy Nuñez
Sen. John Pinto
Rep. William "Bill" R. Rehm
Rep. Nick L. Salazar

F
Sen. Sue Wilson Beffort
Sen. William F. Burt
Rep. Sandra D. Jeff
Sen. Timothy M. Keller
Sen. Carroll H. Leavell
Rep. James Roger Madalena
Sen. George K. Munoz
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
Abenicio E. Baldonado, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

All handouts are in the meeting file.

Thursday, November 3

Introductions

Senator Sanchez welcomed the committee and members of the audience to the meeting. She then asked committee members and staff to introduce themselves.

The Los Alamos National Laboratory (LANL) and Sandia National Laboratories (SNL) Tax Credit and Its Effects on Economic and Rural Development

Mariann Johnston, team leader, Economic Development Community Programs Office, LANL, and Jackie Kerby Moore, manager, Technology and Economic Development Department, SNL, introduced themselves to the committee and thanked the committee members for being able to give a presentation. Ms. Johnston and Ms. Moore introduced their colleagues, Genaro Montoya and Danny Sanchez, to the committee.

Ms. Moore expressed how valuable the partnership is among the state, small businesses and the labs. Ms. Moore explained that due to the Laboratory Partnership with Small Business Tax Credit Act, the state, along with LANL and SNL, invested over \$4.5 million. Those funds went to support 339 small businesses in 27 counties throughout the state, mostly in rural areas. Ms. Moore added that the act provides \$2.4 million per lab and \$10,000 per business. Ms. Moore finished by adding that 1,736 businesses have been assisted, 1,549 jobs have been created or retained, \$25.2 million in technical assistance has been provided by the labs and that the New Mexico Small Business Assistance Program (NMSBA) assisted businesses in all 33 counties in New Mexico.

Ms. Johnston stated that the main mission of the NMSBA is to help small businesses in their development. In oil and gas, the treatment and the reuse of oil to help save energy and conserve ground water supplies was one of the projects that received assistance. Ms. Johnston noted that the largest industry supported is agriculture. Ms. Johnston explained that the NMSBA focuses lab staff capabilities and meets the needs and requests of small businesses. She added that there are evaluations of joint operations between the LANL and SNL.

Paul Laur, director of Eldorado Biofuels, was introduced to the committee to give an example of his business, which was assisted by the NMSBA. Mr. Laur explained that his business treats and reproduces water for salt water algae. Mr. Laur went on to say that different strains of algae were tested and only a handful can make oil. Mr. Laur explained that the oil could be used as forms of petroleum, jet fuel, clothing, nutrition for livestock and pharmaceuticals. Mr. Laur expressed to the committee that this is a keystone industry and after the algae oil is removed, the remainder of protein and carbohydrates left over could be used by

other industries for other needs. Mr. Laur stated that New Mexico has over 50 million gallons of water generated and there are 700 licensed disposals. He added that New Mexico is a perfect area for the industry. Mr. Laur ended by explaining his idea to build infrastructure around the disposals and hire 10 employees per facility, which would create 7,000 jobs throughout the state. This would benefit New Mexico and its people in these tough economic times.

Questions

A committee member expressed his fascination about the organization and its projects. He stated that a lot of the sponsored projects have been discussed in other committees. He went on to explain that he was very impressed with the presentation and that this small business helps northern New Mexico. He then asked the panel what the average amount granted to small businesses was and if it can be applied for every year. Ms. Moore explained that \$20,000 is the average amount granted to small businesses. She then added that the grants could be applied for every calendar year.

A committee member asked how energy is stored. Ms. Johnston explained that this is still to be figured out. However, she stated that Santa Rosa currently has a project with wind farms.

Another committee member stated to the committee that he had been working with this business, and it has been a great program, especially for agricultural purposes. Ms. Johnston gave an example of a collaboration with New Mexico State University, in which an automated chile-picking process has been developed that separates unwanted materials from chile.

A committee member asked about acknowledging and transferring technology. Ms. Moore stated that she works closely with technology transfer departments.

Another committee member asked if there are some sorts of renewable sources of energy projects already in progress. Ms. Johnston stated that, yes, the biofuels industry has been working with numerous projects. The legislator then asked if the individual has to approach the labs to market the resources. In addition, the legislator asked if tax credits are taken into consideration when evaluating these projects. Ms. Johnston explained that small businesses must request the assistance and the labs evaluate which projects would be the most efficient to assist.

A committee member questioned whether or not the number of businesses assisted in 2011 was up from previous years. Ms. Moore replied that, yes, the number is up because the labs are partnered; a few years ago, they were not. The legislator expressed that she was surprised by the number due to recent economic troubles. The legislator stated that the information presented was very exciting. Ms. Johnston added that there is effort to get the word out about the program, and it is seen as a tool to support small businesses.

Another committee member asked whether or not the tax credit legislation has a sunset provision. Ms. Moore stated that there is not a sunset on the legislation. The legislator

questioned whether or not the money given was a loan. Ms. Johnston explained that it is not a loan and comes at no cost to the company.

The Regulation and Licensing Department's Vision for the Coming Years; Proposed Legislation to Promote Businesses and to Improve Business Licensing; and a Discussion of House Memorial 54 (2011) Regarding Liquor Licenses

J. Dee Dennis, Jr., superintendent, Regulation and Licensing Department (RLD), and Mary Kay Root, deputy superintendent, RLD, introduced themselves to the committee.

Superintendent Dennis stated that in the last nine months the RLD has identified and focused on customer service. Over the next three years, the RLD will strengthen its procedures by allowing online renewals to reduce costs. Superintendent Dennis stated that the RLD is seeking to accept digital signatures, improve electronic data storage, eliminate duplication and provide a new user-friendly web site. Superintendent Dennis explained that the RLD would like to get each of its divisions to participate in finding and eliminating bad practices. Currently, the division that oversees mortgage loans has had zero investigations in the past two years. Superintendent Dennis stated that the Securities Division is the enforcement bureau in charge of investigating financial fraud associated with white collar crimes. He added that there has been an \$80 million loss to New Mexico investors. In 2009, the Securities Division had 75 new investigations and in 2011, 65 cases involved investment fraud. Superintendent Dennis said that the department's intent is to continue to emphasize criminal investigations for years to come. Superintendent Dennis stated that the RLD would like to have a partnership between the Construction Industries Division (CID) and the legislature to seek funding. Superintendent Dennis explained that the main initiative of the department is to update its information technology to reduce costs going forward. He added that the Keva Online permitting system is eight years old, does not integrate with the new energy code and cannot provide maintenance; therefore, the department would like to replace the system.

Superintendent Dennis gave an update on the Alcohol and Gaming Division. He stated that the Alcohol and Gaming Division has authority in matters dealing with violations and citations issued by the Department of Public Safety. Superintendent Dennis explained that the application has to come in with substantial completion. He added that the hearing process has been revamped. The hearing process previously took 120 to 150 days; now, it is 60 to 90 days. Over 850 administrative citations have been issued, and some of the citations will be dismissed because of the statute of limitations. He finished by stating that the division would like to educate servers about serving underage drinkers and overserving others.

Steven A. Reinhart, director, Alcohol and Gaming Division, RLD, was introduced by the panel to summarize House Memorial 54. Mr. Reinhart expressed his gratitude to the committee for its willingness to work on regulating alcohol. Mr. Reinhart stated that the memorial had previously been introduced by Representative Cook. Mr. Reinhart explained that in New Mexico, the state controls 1,411 licenses and no more can be issued. He then stated that House Memorial 54 requests a review of the Liquor Control Act and its underlying policy that limits the number of full-service liquor licenses in each municipality and in the unincorporated portions

of each county to one license for each 2,000 inhabitants. Mr. Reinhart added that the division is asking for more information and possible solutions to the current problem. He noted that there will be seven roundtable discussions around the state, mostly in the southern part of the state.

Questions

Committee members asked when the results would be in on the House Memorial 54 review. Mr. Reinhart said that the information should be in around November or December of 2011, and he hopes to have all the information in place for the 2013 session. Committee members then asked why more of the meetings are being held in the southern portion of the state than in the northern areas. Mr. Reinhart explained that the issue with the number of licenses does not affect the north as much as it does the south.

A legislator then asked, if the division had to prioritize, which issue would be the most important to address and when would legislation be proposed. In response, the panel members stated that the statute on alcohol and underage drinking would be the most important and that the underage server violation would be the only focus in the upcoming 2012 session.

Another committee member questioned who is in charge of doing the actual enforcement. Mr. Reinhart stated that the Special Investigations Division is in charge. In addition, he said that the idea is to reduce penalties on servers who serve underage drinkers.

A committee member asked if there was previous legislation introduced. Mr. Reinhart responded that it was substantially the same; however, there are problems with the prior legislation.

A committee member commented that law enforcement is overburdening the system with the current law and thinks that felons are being made out of kids who are trying to make money for school. The committee member then asked whether or not there has been any thought about going to old laws regarding the purchase of alcohol at an establishment for a minor by a parent. In response, the panel stated that it has not looked into that aspect, but it is looking at every possibility through all of the divisions and boards, including compliance officers and investigators for unlicensed practices.

Allison Smith, lobbyist, New Mexico Restaurant Association, stated that her organization will be working with the RLD.

A committee member expressed appreciation for the willingness of the department to go out into different municipalities.

Another committee member commented that she has been notified about concerns of beer and wine licensing in her district. She then questioned the panel if it has received any complaints. In response, the panel stated that it is not aware of any complaints from that area. The committee member then asked Mr. Kovnat if the committee could receive more

presentations from the CID, as it would be essential for further information in drafting legislation.

A committee member commented that the information is very helpful on the RLD's web site. However, the department needs to work on its web site due to misspellings and additional errors. He suggested that the information technology personnel take more time to work on the web site. He also noted that there should be a strategic plan between the industries and information technology personnel to crosslink their web pages. He then asked the panel whether or not it would be a good idea to have guidelines for new business entities to follow. Superintendent Dennis responded that the legislator's comments are well taken about the web site, and he hopes to have it straightened out by the end of November. In response to the committee member's question, Superintendent Dennis explained that the RLD is working on guidelines and written procedures to help new businesses.

Another committee member questioned whether a person could buy an alcoholic beverage at an establishment without food. In response, Mr. Reinhart stated that 60% of the receipt has to be food, and 40% could be alcohol.

A committee member questioned whether or not the department regulates licensing gas stations and those selling "spice". Superintendent Dennis stated that, yes, the Taxation and Revenue Department would look at that area. The legislator then requested that the panel not only work with industry, but unions and everyone who works in industry or has some sort of impact.

Ron Griggs, mayor, Alamogordo, asked the committee if he could make a comment about House Memorial 54 in correlation with the City of Alamogordo. Mayor Griggs stated that the majority of licensed establishments are in metropolitan areas and many are moving from small communities due to costs. He added that the chances of small restaurants being able to afford the costs of liquor licenses are decreasing. Mayor Griggs commented that economics are affecting opportunities in rural areas.

Financial Assessment of Merging the Tourism and Cultural Affairs Departments

Gregory Baird, executive budget manager, State Budget Division, Department of Finance and Administration, and David Lucero, analyst, Legislative Finance Committee, introduced themselves to the committee. Mr. Baird began by giving a summary of a bill that merges the Tourism Department and Cultural Affairs Department.

Mr. Baird stated that there have been consolidations in the proposed bill because in the 2011 session, the bill's predecessor did not pass. Mr. Baird explained to the committee that the proposed bill cleans up statutory references and renames the merged department. The bill updates current statutes on monuments, repeals relevant statutes, creates 19 divisions and authorizes the creation of the African American Cultural Division within the Tourism and Cultural Affairs departments. In addition, the bill would enact the creation of an African American Cultural Arts Center in statute. In response to the summary of the bill, Mr. Lucero

added that, in statute according to the fiscal impact report, the legislation could save \$863,000. On a final note, Mr. Baird stated that combining the Tourism and Cultural Affairs departments provides the opportunity for the two departments to work together and save money.

Questions

A committee member questioned whether or not the governor would put the bill on her call for the session. In response, Mr. Baird stated that it is his understanding that it will be put on the call.

Another committee member asked if there is agreement on combining the two departments from all parties involved. Anne Green-Romig, Cultural Affairs Department, explained to the committee that the departments have already begun to work together.

A committee member asked if *New Mexico Magazine* has given input on the matter of combining the Tourism and Cultural Affairs departments. Mr. Baird stated that there has been no outside input and most of the input has been from the executive. The committee member added that the Tourism Department should be part of the Economic Development Department, not the Cultural Affairs Department.

Another committee member explained that both cabinet secretaries are aware of the proposal and see the combination of the two departments as a tool to bring visitors to New Mexico. In addition, she explained that there is a lot of support for the merger.

A committee member commented that all the restructuring bills did not get through the standing committees. The committee member explained that the merger between the two departments makes sense and the mission of economic development is different between the two. The committee member went on to ask if the State Fair Commission owns all of its property. Mr. Lucero responded that most property is leased to a couple of other locations and the African American Performing Arts Center would be separate from the State Fair Commission.

Transportation Reinvestment Zones

James P. O'Neill, president, O'Neill Consulting LLC, introduced himself to the committee and thanked the committee for allowing him to present a summary of his proposed bill. The bill's intent is to implement a tool for local governments to use on transportation issues, with a focus on land use for economic development. Mr. O'Neill explained that most local areas have land use plans, and this legislation gives local governments the tool to address the most important plans. Mr. Baird also noted that there is an option for the state to join in the gross receipts tax. Most of these projects include state roads and facilities and the gross receipts tax is going to help commit less money than having state funding. Mr. Baird stated that the idea is to give local governments an opportunity to create more jobs. On a final note, Mr. Baird stated that there is no proposal to expand any tax and that this is still a work in progress.

Questions

A committee member explained that there are ways to leverage this proposal between local government and the New Mexico Finance Authority, and that it is important that development is tied in with land use.

Another committee member questioned whether or not this is a local government mechanism to tap into gross receipts taxes for economic development. Mr. O'Neill explained that local governments cannot adjust the gross receipt tax rate. The committee member then asked whether or not a local government can impose impact fees. In response, Mr. O'Neill stated that, yes, impact fees could be used to finish a certain project. The committee member then asked, if the bill passes, would local governments go to a negative or positive referendum. Mr. O'Neill stated that this bill does not change their taxing authority, use of revenues or use of positive or negative referendums.

A committee member asked, if there is a threshold, is there a way to track it. In response, Mr. O'Neill explained that the county assessor would go and view what a business is giving at that time.

A committee member commented about a casino near her hometown. The committee member explained that there are few businesses around the area of the casino. However, if this proposed bill had been implemented then, it could have helped business initiatives around the area of the casino.

Another committee member questioned if local governments are not allowed to increase any gross receipt tax imposed. Mr. O'Neill stated that for the most part this is true; a bondholder cannot be cheated, as long as it is protected.

A committee member commented that if projects were bonded in her hometown, the downtown area could be rebuilt and sidewalks and parking could be improved, as well.

Another committee member asked what kind of disclosure would be given to customers who are going into these businesses. In response, Mr. O'Neill explained that the customers would not pay a different rate because as business and revenue expand, the tax rate remains the same. The committee member then questioned if there are any plans for introducing legislation next session. Mr. O'Neill responded that he is hoping to introduce legislation during the next session.

A committee member questioned whether or not other states are doing the same thing. Mr. O'Neill responded that, yes, neighboring states have begun implementing the same idea. The committee member then questioned whether the Taxation and Revenue Department would be affected. In response, Mr. O'Neill stated that it would be affected.

Home-Based Work

Mark Lautman, founder, Lautman Economic Architecture, and Debbie Maestas-Traynor, president, New Mexico Chapter, National Association of Women Business Owners (NAWBO), introduced themselves to the committee.

Mr. Lautman stated that home-based work is growing. He further explained that the fastest way to create home-based jobs is by going after all the individuals in a community that are underemployed or unemployed. Mr. Lautman stated that almost every job can be done from home. There are thousands of individuals who cannot afford commuting to the jobs they are qualified for and home-based work is the opportunity for them to use their qualifications. Mr. Lautman stated that approximately 4.9% of employed New Mexicans, or about 42,500 people, work primarily from home. Thirty-seven percent of New Mexico's home-based workers are employed in economic-based industries, meaning that their work brings new money into their communities, increases the size of their local economy and indirectly improves living standards for all. Because home-based workers do not commute, they are likely to spend more of their income in their own community, impose less wear and tear on roadways and contribute less air pollution and traffic congestion than do traditional workers. In New Mexico, 18,000 home-based workers support another 78,000 jobs throughout the New Mexico economy. Mr. Lautman added that home-based workers contribute significant tax revenue to the state and local communities. Mr. Lautman noted that home-based worker recruitment and retention initiatives should focus on workers that export services, particularly professional, technical and management consulting services. On a final note, increasing the number of home-based workers by 10% through targeted recruitment of location-neutral providers of professional services would create 4,250 direct jobs and 17,595 indirect jobs.

Ms. Maestas-Traynor began with an overview of NAWBO, which was founded in 1975. Ms. Maestas-Traynor stated that NAWBO is the unified voice of America's more than 10 million women-owned businesses, which represent the fastest-growing segment of the economy. The NAWBO is the only dues-based organization representing the interests of all women entrepreneurs across all industries and boasts over 7,000 members and 70 chapters across the country. Ms. Maestas-Traynor stated that there are 85 members in the New Mexico chapter. She noted that 26% are finance and insurance owners, 12% own construction and real estate firms, 10% are in government, 9% own advertising, marketing and communications businesses and 43% own legal and entertainment firms. Ms. Maestas-Traynor explained that some the benefits of home-based businesses are flexibility and increased quality of life. The challenges are professional development, daily face-to-face contact with others, professional settings for meetings, staying current with government regulations, taxes and employment laws and health insurance.

Questions

A committee member commented that the committee must look at possible future legislation in regard to health insurance. A bill could help these small home-based workers join the chambers, instead of private health care. She then expressed that the committee has had a

long-standing history of the individual being the focus. In addition, she believes this is an important initiative and would like to help.

Another committee member asked how many home-based workers have a health plan. Ms. Maestas-Traynor explained that the majority have some sort of insurance and those with employees offer their employees a plan. However, many home-based workers must find another plan.

Another committee member commented that this presentation is significant and agreed with another committee member that this is a great idea. The committee member explained that something needs to be done to create an environment for this program to develop, and currently, there is plenty of activity around small businesses.

Preventing Metal Theft

Leo Baca, director, government affairs, CenturyLink, Inc.; Mike Sindelar, detective, San Juan County Sheriff's Office; and Minda McGonagle, lobbyist, Responsible Metal Recyclers Initiative (RMRI), introduced themselves to the committee.

Mr. Baca stated that multiple agencies and industries are affected by metal theft, such as state and local governments, law enforcement, the telecommunications industry, the electric industry, the construction industry, the oil and gas industry and large property owners like Walmart and the Albuquerque Public School District. Mr. Baca further explained that the average cost of each theft of CenturyLink copper is \$7,000. In 2011, CenturyLink has had over 100 copper thefts in just the Bernalillo County and Valencia County areas. He noted that total losses in New Mexico this year are approaching \$1 million. Mr. Baca stated that representatives from utility companies, homebuilders and other industries have been meeting with the RLD and the recycling industry to develop legislation that is effective yet practical to implement. Mr. Baca stated that eliminating metal theft requires effort from the legislature, law enforcement, the affected industries and the public.

Detective Sindelar stated that the best public response was when the metal theft caused power outages. Detective Sindelar explained that the Sale of Recycled Metals Act was passed, but it is limited in its success. Detective Sindelar explained that the San Juan County Sheriff's Office has done compliance operations and in six salvage yards, undercover agents were able to buy scrap metal under the table. A database was established to help find out who is taking materials and from where it is being taken. Detective Sindelar stated that efforts to get individuals in compliance with current law is difficult, and new laws are needed to improve prosecution for those who are not in compliance.

Ms. McGonagle gave an introduction to the new organization known as the RMRI. The intent of the organization is to provide a beneficial service to the state based on ethics, sound business principles and being a good neighbor within the community. Ms. McGonagle stated the metal recyclers have 100 to 300 transactions a day, averaging \$50.00 per transportation. She added that it is very hard to track thieves who are selling scrap metal for money. Scrap Theft

Alert is a database developed to alert everyone registered about reported thefts. Ms. McGonagle stated that more participation from law enforcement and communities could further prevent metal theft.

Questions

A committee member commented that pawned or sold items must be reported and views the database as an essential piece for both sides. The committee member questions whether or not the database is working. Detective Sindelar responded that the database is sometimes sporadic, but for the most part it is beneficial to law enforcement. However, Detective Sindelar stated that well-known criminals are finding other networks in which to sell stolen metal.

Another committee member expressed his support for the ideas for new legislation. In addition, the committee member explained, the Scrap Theft Alert database is phenomenal. He would like to hear more about it through commercials and newspaper ads to expand the database to a bigger audience. On that note, Ms. McGonagle stated that the RMRI is working hard to make a difference and make the database well known.

Representative Garcia moved to approve the minutes from the previous ERDC meeting. Senator Harden seconded the motion, which passed.

The committee recessed for the day at 4:06 p.m.

Friday, November 4

Real Impact: Economic Results to New Mexico of Tax and Other Incentives of the Film Industry, the Energy Industry, Job Training Programs and Businesses

Barbara Brazil, deputy secretary, Economic Development Department, Tom Clifford, secretary, Department of Finance and Administration, Elisa Walker-Moran, chief economist, Legislative Finance Committee, and Demesia Padilla, secretary, Taxation and Revenue Department, introduced themselves to the committee.

Deputy Secretary Brazil began by stating that she developed a CD for committee members who had questions during the meeting in Grants. Deputy Secretary Brazil stated that economic incentives are needed because they are used around the country, signal a business-friendly climate, are a tool kit for economic developers and foster competition among states. She added that numerous programs offer incentives to businesses and the qualifications needed to receive tax incentives. Deputy Secretary Brazil stated that the film production tax credit attracts the film industry to the New Mexico. She added that a web site shows all details of movies filmed in New Mexico, most of which are filmed in rural areas. Deputy Secretary Brazil expressed that energy is critical to New Mexico. Wind, solar, oil and biofuel energy can all be found in New Mexico. She also noted that oil and gas are essential to the state because New Mexico is one of the largest producers in the nation.

Secretary Clifford stated that New Mexico's tax structure imposes the highest business tax. He proceeded by telling the committee to think about tax codes and how they compare with other states. Corporate income tax and gross receipts tax are two major problems today. Secretary Clifford expressed the importance of oil and gas. In addition, Secretary Clifford stated that there must be awareness of the state's general fund.

Ms. Walker-Moran stated that tax expenditures are government spending programs authorized through the tax code. Although tax expenditures are an important component of the state's annual budget, the state does not have a systematic means of reporting and analyzing their effects. Tax expenditures can be an efficient means of targeting selected populations for benefits and to influence the decisions of private individuals to further the goals of public policy. New Mexico's tax code has hundreds of tax expenditures. Each of New Mexico's major tax programs contains numerous tax expenditures that affect almost all taxpayers. Consideration should be given to a comprehensive bill that sunsets all existing tax incentives. She added that the Legislative Finance Committee produces a tax incentive report, and the Taxation and Revenue Department will produce a tax budget report.

Secretary Padilla noted that tax expenditures are important for a legislator to be familiar with to make decisions. She added that problems are occurring with taxpayers' expectations and partnering with the Economic Development Department could help.

Questions

A committee member asked if there are proposals on any new tax incentives, grants or elimination of incentives. Secretary Clifford stated that discussions are taking place for new ideas for tax reform.

Another committee member asked Secretary Brazil how she felt about investing more in rural communities. She stated that the department is very supportive in expanding Main-Street and frontier communities. The committee member then questioned how the film industry is doing. Nick Maniatis, director, New Mexico Film Office, introduced himself to the committee and responded to the questions. He stated that the film industry is doing great, and New Mexico is still one of the top states for filming and incentives.

A committee member asked if there is a film report yet. Deputy Secretary Brazil stated that there should be a report before the end of the fiscal year.

A committee member questioned the progress of biomass and if investment is the problem. Deputy Secretary Brazil stated that the department would investigate to find out and would report back to the committee.

Committee members discussed sunsets on current incentives and agreed that many incentives are good and do not have sunsets. Deputy Secretary Brazil noted that some have sunsets and some do not. She agreed that analysis review is important. A committee member

commented that, as policymakers, they need to know what credits have not been utilized and repeal them.

Rural Economic Opportunities with Corn Board Manufacturing, Inc.

Lane Segerstrom, chief executive officer, Corn Board Manufacturing, Inc., and Jay Herrin, president, Corn Board Manufacturing, Inc., introduced themselves to the committee and passed out samples of corn board.

Mr. Segerstrom stated that corn board is made by taking the leftover cornhusks and leaves from the corn after it has been harvested, adding a binder and pressing it under heat and pressure into an engineered board. Corn stover is husk, leaves, stalks and cobs that are left in the field after the corn has been harvested with a combine. Only 50% of the corn stover that is collected is used to produce corn board. The remaining 50% of the collected corn stover is milled and pressed into fuel pellets with a British thermal unit (BTU) value of 7,500 BTUs per pound. Mr. Segerstrom explained that corn stover is the most abundant and readily available renewable biomass material on the planet. If all available corn stover were baled into 1,000-pound round bales and placed end to end, they would circle the Earth 21 times. More than 95% of corn stover is not utilized; it is left in the field to decompose. Corn board technology was developed and patented by researchers at the University of Illinois. Corn board has the potential to be used as a wood replacement material in thousands of consumer products. Corn Board Manufacturing, Inc., has already developed, produced and brought to market multiple corn board-based products. Mr. Segerstrom added that eight to 10 corn board production plants can be located in New Mexico. New Mexico has the vision and foresight to embrace technologies and ideas that are on the forefront of innovation and lead economic growth in rural areas.

Questions

A committee member expressed his fascination with this concept. The committee member asked if Corn Board Manufacturing, Inc., were to relocate to New Mexico, would farmers have to pick up the corn stover and transport it to Corn Board Manufacturing, Inc. Mr. Segerstrom explained that there are biomass programs that contract with farmers to bale the stover and pay them a per-ton rate. However, the most likely scenario is that Corn Board Manufacturing, Inc., would go in and bale the material. The committee member thanked the presenters and said it is a great idea for New Mexico.

Another committee member asked if Corn Board Manufacturing, Inc., is in production with any other markets. Mr. Segerstrom stated that it is in production with other markets. The committee member then questioned how old the company is. Mr. Segerstrom responded that the company has been around for two years.

A committee member asked how corn board would be competitive price wise. Mr. Segerstrom noted that his company cuts out the middle man,

Another committee member expressed his interest and asked about the costs compared to waferboard. Mr. Segerstrom stated that corn board is far superior and corn board makes a better board. He noted that corn board is cheaper because the stock is cheaper.

A committee member asked if Corn Board Manufacturing, Inc., has worked with the Economic Development Department. Mr. Segerstrom stated that he has not worked with the department, and the ERDC is the first committee before which he has spoken.

The Homeowners Association Act

Representative Mimi Stewart; Garret Price, vice president of land, Pulte Homes of New Mexico, Inc.; and Amanda Shaw, president, Associated Asset Management LLC, introduced themselves to the committee.

Representative Stewart stated that she has a constituent who had problems with a homeowners association. New Mexico is one of the few states that does not have statutes regarding homeowners associations. The proposed bill applies to new homeowners associations with some exceptions. The bill's main focus is basic procedural issues such as open meetings and electing boards.

Ms. Shaw explained that in Arizona, the state manages homeowners associations, and she is excited to help with the legislation. She noted that a lot of the philosophy and statutes are from Arizona.

Mr. Price added that Ms. Shaw was asked to share her expertise. In addition, Mr. Price is in full support of the Homeowners Association Act.

Questions

A committee member asked if a company wants to put in a neighborhood, can they continue to capitalize on those restrictions where homeowners cannot use solar panels; or, can they put it in the covenants. Representative Stewart stated that they cannot say no, but they could put it in their covenants and make it a restriction.

Another committee member asked whether or not it is up to the legislature to tell homeowners associations how to run their neighborhoods. The committee member asked if there is a zoning and planning committee to decide on the matter. Representative Stewart explained that a city cannot tell the association how to run its communities. There are no statutes that prohibit or enact any laws that require associations to follow rules.

A committee member asked if boards are elected or appointed. Representative Stewart stated that it varies in every community.

Another committee member asked Ms. Shaw if her company took over the Petroglyphs community and expressed her dissatisfaction with the current association. Ms. Shaw responded that, yes, her company took over the Petroglyphs in January 2011. In addition, Ms. Shaw

assured that her company will do its best to make sure there will be levels of protection for those who live in that community.

Mary E. Martinek, director and chief lobbyist, government affairs, REALTORS Association of New Mexico, commented that the association has been proactive without disclosures for sellers. In addition, she said it would have to oppose the proposed bill.

Public Comment

Diane Surely, real estate agent, introduced herself to the committee. Ms. Surely stated that she understands the feelings of the committee and coming up with something is long overdue. She stated that homeowners associations are another form of government that believe they can do whatever they please because there are no covenants. She noted that the proposed act is a good effort.

Carol Bernstein, introduced herself to the committee. She stated that the right of rescission piece of the bill must be solved to avoid affecting short-sale properties. She added that she is in favor of consumer protection and asked the committee to consider short-sale properties.

Legislative Endorsements

Senator Sanchez addressed the committee regarding proposed legislation for the 2012 legislative session.

Legislation

.187381.4

Sponsored by Senator Sanchez, this joint memorial requests that the state make the energy industry a central component of the state's economic development strategy.

Upon a motion by Representative Garcia, seconded by Senator Martinez, the committee voted without objection to endorse the memorial.

Adjournment

There being no further business before the committee, the fourth meeting of the ERDC adjourned at 1:23 p.m.