

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

**November 18-19, 2010
Room 317, State Capitol
Santa Fe**

The fourth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Mary Helen Garcia, chair, at 10:00 a.m. on Thursday, November 18, 2010, in Room 317 of the State Capitol.

Present

Rep. Mary Helen Garcia, Chair
Sen. Bernadette M. Sanchez, Vice Chair
Rep. Andrew J. Barreras
Sen. Mark Boitano (11/18)
Rep. Ernest H. Chavez
Sen. Mary Jane M. Garcia (11/18, by telephone)
Rep. William J. Gray
Rep. Clinton D. Harden, Jr. (11/18)
Sen. Timothy M. Keller
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Sen. Howie C. Morales
Rep. Debbie A. Rodella
Sen. William E. Sharer

Absent

Rep. Nora Espinoza
Rep. Dianne Miller Hamilton

Advisory Members

Rep. Zachary J. Cook (11/18)
Rep. Nathan P. Cote
Rep. John A. Heaton
Rep. Sandra D. Jeff
Rep. James Roger Madalena
Rep. Andy Nuñez
Rep. William "Bill" R. Rehm
Sen. David Ulibarri
Rep. Richard D. Vigil

Sen. Rod Adair
Sen. Sue Wilson Beffort
Sen. Dianna J. Duran
Sen. Carroll H. Leavell
Rep. Antonio "Moe" Maestas
Sen. George K. Munoz
Sen. John M. Sapien
Rep. Shirley A. Tyler

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

Staff

Peter Kovnat
Jennifer Rabinowitz

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written materials are in the meeting file.

Thursday, November 18

Construction Industries Division (CID) and Local Inspectors: Questions of Oversight

Kelly O'Donnell, superintendent, Regulation and Licensing Department (RLD), and Chris Williams, chair, New Mexico Council of Building Officials, discussed the current state of dialogue between the New Mexico branch of the International Code Council (ICC) and the RLD regarding the regulation of inspection officials. Mr. Williams described dissatisfaction among building officials in New Mexico with existing certification practice. The CID certifies inspectors on a jurisdictional basis, making it difficult for inspectors to work outside their jurisdiction. The ICC suggests that certification be on a statewide basis instead. The ICC also considers the CID's practice of certifying inspectors in only one area to be inefficient and suggests that inspectors be certified in multiple areas, which Mr. Williams said is a common practice in most other states. He said it is inefficient to have three people do what one person can, particularly as inspectors have to travel to remote parts of the state. The ICC also suggests that inspectors be authorized to inspect public and municipal buildings, which is presently done by CID personnel.

Superintendent O'Donnell urged a more efficient use of agency resources, such as using the CID as a training and support resource to local inspectors rather than as a certification body. She requested that the legislature clarify the CID's inspection mandate in statute and offered to the committee draft rules collaboratively created by the CID and ICC. The draft rules allow local building departments to share inspectors through memoranda of understanding; authorize inspectors to have multiple certifications; address uniformity of inspector qualifications, which Superintendent O'Donnell suggested could be achieved through a mentoring program with experienced inspectors; and permit certified local inspectors to inspect public buildings. Superintendent O'Donnell said that under the current system, the CID is charged with inspecting public buildings, which perpetuates a misperception that the CID is not subject to its own rules. Superintendent O'Donnell described the draft rules as a way to achieve greater efficiency of agency resources, to aid the growth of construction and to strengthen the New Mexico economy.

Committee members asked if the new rules drafted by the CID and the ICC had the support of the New Mexico Association of Counties and the New Mexico Municipal League. Superintendent O'Donnell answered that the New Mexico Municipal League has been very involved in drafting the rules. The committee next discussed instituting an appeals process for denied certifications. Superintendent O'Donnell replied that the CID is already 25%

understaffed. Committee members inquired about the balance of power between localities and the CID and wondered if localities can override CID regulations. Superintendent O'Donnell said the CID enforces the Construction Industries Licensing Act, with a major piece of its rulemaking authority focused on statewide building codes. The CID is not authorized to administer municipal codes, as stated in an opinion letter by the attorney general. Committee members asked if a statute would be needed to limit the scope of the CID's rulemaking authority. Superintendent O'Donnell said that a statute was unnecessary but that the act, which has been amended many times, needed greater "bright line" guidance to the CID in administering the law. Committee members expressed concern about the accountability of contract inspectors. Committee members asked whether New Mexico's building code is different from Colorado's or Arizona's. Superintendent O'Donnell said that most of the New Mexico code is exactly the same as the codes of other states. It differs from other states in being responsive to local conditions, such as climate. Superintendent O'Donnell suggested that the code be revised so that it better reflect construction industry needs and the economic development needs of New Mexico. The committee concluded by publicly thanking Superintendent O'Donnell for her valuable service to New Mexico. It further agreed that shifting building inspections to localities was a good idea. The committee established a working group to draft suggested legislation based on proposed rules drafted by the CID and the ICC.

New Mexico Rural Development Response Council: Status Update, Rural Broadband and Youth Entrepreneurship

Ed Burckle, executive director, New Mexico Rural Development Response Council (NMRDRC), and Kathy Keith, president, NMRDRC, discussed efforts to assist the economic development of rural businesses. The NMRDRC applies for grants from the federal regulatory agencies on behalf of rural communities. It then administers and allocates the federal funds. The NMRDRC provides rural businesses with the technical assistance to grow and prosper. Since 1992, the NMRDRC has provided services to more than 50 rural communities in New Mexico. The NMRDRC's youth entrepreneur program targets junior high and high school students to become entrepreneurs in their local communities. The NMRDRC also organizes a yearly entrepreneur conference and a competition in which youths submit business plans on promising business ideas. The winner is awarded funds to start a business of his or her own.

Currently, the NMRDRC is undertaking an initiative to enhance broadband access in rural areas. The program was launched four years ago with an internet site to connect business activities in rural communities throughout New Mexico. For example, rural business entrepreneurs can have virtual meetings to discuss challenges, gain peer support, peruse an online business library or look for grant opportunities. The organization is also helping rural businesses achieve greater energy efficiency. Mr. Burckle and Ms. Keith thanked the legislature for its past support, which they said is critical to leveraging federal funds.

Committee members asked what appropriations the NMRDRC is requesting. The NMRDRC is requesting \$200,000. It was not given appropriations last year. A committee member asked about the NMRDRC's outreach to Native Americans. A representative of a pueblo serves on the NMRDRC's board. Additionally, the NMRDRC has partnered with 18

Navajo communities to help them understand and utilize its services. The NMRDRC acknowledges a great need for business development services among Native American communities. A committee member expressed support for the NMRDRC's work and suggested that an appropriations request be made to assist rural communities.

Qwest Status and Merger with CenturyLink

Loretta Armenta, president, Qwest New Mexico; Leo Baca, public affairs director, Qwest New Mexico; and Randy Hall, area operating manager, New Mexico CenturyLink, updated the committee on efforts to merge Qwest and CenturyLink. Both companies described the merger as benefiting rural and urban New Mexicans by advancing the merged company's ability to roll out products and provide services. The merger will also establish a fairer environment in which the merged company can compete. At present, they said, their competitors operate in an unregulated environment, which places Qwest at a competitive disadvantage. Both companies said they are working on legislation to be presented to the Science, Technology and Telecommunications Committee that is similar to House Bill 107, introduced in 2010. Among other things, House Bill 107 would have allowed a telecommunications company required to relocate its network facilities due to federal, state or local projects the ability to recover relocation costs up to \$1 million. While the companies are not asking for the committee's endorsement of a 2011 bill, they said they will be asking for assistance.

Committee members asked whether the proposed merger would run afoul of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Ms. Armenta replied that the required waiting period under Hart-Scott-Rodino, in which regulatory agencies evaluate a proposed merger, expired on July 15, 2010. Committee members inquired about the number of New Mexico employees the company would have after the merger. The presenters replied that any transition involves an evaluation of staffing, but that at this time it appears there will be minimal change. They were less sure about changes to the merged company's leadership. Committee members asked about plans to extend or establish services in Navajo country. The companies are looking to consolidate existing areas and then evaluate future expansion, but this will not take place in the immediate future. The committee next turned to anticipated earnings and inquired about land lines as a challenge to earnings. Members asked whether the proposed expansion would result in a positive balance sheet or would simply be a stopgap measure that ratepayers get stuck paying. CenturyLink is operating with zero debt. The merged company would be assuming Qwest's debt level.

The New Mexico Small Business Development Center's Impact on Economic and Rural Development

Michael Mykris, interim state director, New Mexico Small Business Development Center (NMSBDC); Ray Garcia, director, NMSBDC of Albuquerque; and Sandra Taylor-Sawyer, director, NMSBDC of Clovis, discussed their efforts to provide education and assistance to new and existing small businesses in New Mexico. They underscored the value of small businesses to New Mexico's economy. The NMSBDC serves the entire state and has operations in both urban and rural communities. The NMSBDC is a federally chartered program with oversight from the U.S. Small Business Administration and the State of New Mexico through the state's

Higher Education Department. The NMSBDC is hosted by 18 institutions of higher education throughout New Mexico. In 2010 alone, the NMSBDC assisted clients in securing more than \$25 million in debt and equity investments; helped to establish 185 new businesses; created 844 new jobs; and saved 256 jobs in New Mexico. It had 3,812 clients and hosted 497 business-focused events. The NMSBDC is also working with New Mexico clients in the area of federal contracting, the Procurement Technical Assistance Program (PTAP), which is federally chartered with oversight from the Defense Logistics Agency of the U.S. Department of Defense. In fiscal year 2010, the NMSBDC facilitated over \$42 million in federal contracts through the PTAP.

Committee members asked about the NMSBDC's future leadership. The panel replied that the president of Santa Fe Community College (SFCC) is the hiring authority for the position. Committee members inquired about educational and professional requirements for leadership at NMSBDC offices. A minimum requirement is a master of business administration degree and/or business ownership. However, the exact requirements are at the discretion of each hosting college. Committee members asked about SFCC's role at the NMSBDC. SFCC's oversight is primarily budgetary and not programmatic. SFCC administers distribution of appropriations to local offices, which then prepare an accounting report to SFCC on a monthly and quarterly basis. Committee members asked whether the NMSBDC anticipated a reduction in its 2011 budget. At present, the Higher Education Department has appropriated a 14.7% reduction to the NMSBDC's 2010 budget, or \$4.6 million. Approximately one-eighth of NMSBDC's budget comes from the federal government. Committee members asked how the NMSBDC would adjust to appropriations cuts, should they occur. The plan is to consolidate some of its business centers. Committee members asked about notification to the NMSBDC of companies considering moving operations to New Mexico. The NMSBDC is not chartered to solicit business from outside the state. However, it does get leads. The committee expressed support for the work of the NMSBDC and suggested that it have a more prominent place in local communities.

Status Update on Senate Bill 46 (2009), Statewide Opportunities in Vocational Education and the Needs of New Mexico's Job Market

Melissa Lomax, bureau chief, Career Technical and Workforce Education Bureau, Public Education Department (PED), gave a status update on high school pre-apprenticeship programs (Senate Bill 46 from the 2009 session) and the Apprenticeship Assistance Act, which make credit-bearing vocational education and apprenticeships available to students at New Mexico high schools. The PED's priority is to build and expand partnerships among New Mexico public secondary and post-secondary schools, trades and industries and state agencies. Dr. Lomax stated that students who get involved in academics with a career-focused curriculum tend to have higher grades and higher graduation rates than their peers. Students receiving vocational training have the skills, abilities and competencies needed to participate in, and contribute to, the New Mexico economy. However, schools still need to be made aware of the availability of vocational training.

Committee members said it is critical to make school counselors and administrators aware of the vocational training program and the opportunities for students to gain credit under

it. It was observed that with even one year of vocational training, students can earn money for their skills. Dr. Lomax said that schools are aware of career pathways, but they often do not know that a program is available to them. Committee members asked whether the industries that students are being trained in are union or non-union. Both union and non-union industries are eligible to participate in the program. Committee members observed that the program's vocational training is primarily in the construction trades. Dr. Lomax said the PED is looking to training outside the construction industry. Committee members asked whether charter schools are participating in the program. Dr. Lomax will get back to the committee with an answer. Committee members expressed concern that youths are leaving the state for jobs elsewhere but said the program is a great model to follow to help New Mexico communities. Further, not all youths choose to go to college. The program gives those young people a future. Committee members asked whether students in the program are eligible for money from the federal Perkins loan program. Dr. Lomax replied that school districts must meet a minimum threshold in enrollment and certain socioeconomic factors to be eligible for Perkins funds.

The committee recessed at 4:55 p.m and reconvened the following day at 9:17 a.m.

Friday, November 19

Everything You Ever Wanted to Know About Credit Reports

Roman Maes, chief executive officer, New Mexico Public Relations LLC, and Eric Rosenberg, director of state government relations, TransUnion, discussed the role of credit scoring agencies in the current economic climate and the need to establish greater accuracy in gathering information to assist lenders in the decision-making process. Mr. Rosenberg described the current economic situation as one in which demand for credit is greater than supply. He said that responsible lending is a critical factor to loosening the tight credit market. The accuracy of information on a person's creditworthiness is key to achieving that objective. In turn, greater access to credit avails the American public of opportunities to establish or expand their own businesses, small businesses being essential to the overall recovery of the American economy. He described people as disillusioned with the idea of long-term employment, saying that they see entrepreneurship as a necessity, not a luxury. People are increasingly using their credit cards to finance start-up businesses or expand existing businesses. For lenders to free up capital, they need accurate, timely information on potential borrowers. TransUnion encourages legislative initiatives to require the use of alternative data sources in lending decisions. Mr. Rosenberg said that less hedging by lenders means that financial instruments do not need to be inflated. TransUnion urged the legislature to require income reporting and substantiation on credit reports. He said the extra information would give borrowers a "second look" by lenders and might help consumers overcome a spotty credit history. The information would thereby assist the freeing up of capital, helping small businesses and consumer spending alike.

Committee members said they see a big problem in public confidence in the economy, with small businesses lacking access to credit and consumers unwilling to spend money. While banks want to free up money, today's regulations require that lenders know more about their customers. Today's lenders no longer look only at credit scores but are required to use other

sources. Committee members opined that income verification would greatly help the lending process. Lenders could subsequently offer consumers more attractive rates. Committee members asked whether financing small businesses on personal credit cards is a good or bad development. Mr. Rosenberg replied that it is both a good and a bad thing. People out of work are trying to start businesses. On the other hand, he said, they are out of work and needing an income. Committee members asked what percentage of the lending market microlending organizations have? Mr. Rosenberg said he would need to get back to the committee with the answer. He said that microloan lenders and mainstream banks are complementary, but microloans take longer to approve. Committee members expressed concern about the disproportionate impact of credit scores on lower income people, as well as the use of the data by insurers or by employers in hiring decisions. TransUnion gets its income from charging banks for access to collected data, credit-scoring products and anti-fraud products (for businesses). Experian and Equifax are the two other credit-scoring companies in the United States. The sharing of data between the companies is conducted on a voluntary basis, which is why each may have a dissimilar score for the same consumer.

The SunZia Southwest Transmission Project and Its Economic Impacts

David Getts, general manager, SouthWestern Power Group (SPG), and Dr. Anthony V. Popp, professor emeritus, Department of Economics and International Business, College of Business, New Mexico State University (NMSU), discussed the SunZia project and plans to transport energy derived from renewable resources. SPG is owner, investor and manager of the SunZia project and has submitted an environmental impact statement (EIS) to the federal Bureau of Land Management (BLM) to develop transmission lines for the purpose of transporting energy as far away as California. Consumer demand for renewable energy is the driver of the project, but SPG will give access to any kind of power plant seeking to transport energy over SunZia's transmission lines. It anticipates that a majority of its customers will be wind and solar companies. SPG is seeking approval from the BLM for right-of-way access for placing the transmission lines, and it anticipates no problems in obtaining additional permits from the Public Regulatory Commission. SPG acknowledged that people do not like transmission lines in their backyard and that there is some environmental impact. The proposed route is primarily on public lands. The typical right-of-way width is 200 feet per line and up to 1,000 feet for two lines. The typical structure is 130 feet to 160 feet high, with 1,300 to 1,500 feet between structures. SunZia hired NMSU to provide an economic impact assessment of the New Mexico-based transmission lines. Dr. Popp estimates that the project will create approximately 570 jobs (130 of which are construction jobs over a one-and-a-half-year construction period).

Committee members expressed concern over the high cost of renewable versus other energy sources. They said that nuclear power was cleaner and cheaper and that gas generation should be built into SunZia's cost model, which New Mexico consumers will have to pay in the final analysis. How can the New Mexico ratepayer afford to go from \$.10 to \$.26 and how can the state keep a viable economy? Cost is a serious factor. Further, the number of jobs gained from the SunZia project is anemic compared to the amount of capital being invested. Committee members said that when the tax credits go away, the SunZia project will be a noncompetitive power source. Mr. Getts responded that he did not have an answer to those charges; SunZia is a

transmission project, not a generation project, and its success will depend on generating customers, some of whom will be producing energy from nonrenewable resources. The vast amount of electric generation traveling over its wires will go west, with Arizona and California likely to be most interested in buying renewables. Mr. Getts also said that natural gas or nuclear energy would be a possibility if somebody wants to site them. Committee members asked how many wind turbines would be required for 3,000 megawatts of power. Mr. Getts responded that one turbine produces 1.5 megawatts. He confirmed to the committee that turbines kill birds. Mr. Getts touched upon the problem of barriers to interstate commerce. He said that SPG would like to have the power of eminent domain but that it is a sensitive issue for private landowners. SPG has suggested ways in which New Mexico could assist the eminent domain process. In the interim, SPG will have to negotiate with landowners to obtain rights of way. SPG needs to secure 60% to 70% of capacity through long-term contracts to make the project economically viable. Finally, committee members asked whether the transmission lines would interfere with military operations. Mr. Getts said SPG is in extended discussions with White Sands Missile Range and Fort Bliss regarding routing plans. Routing issues are discussed in the EIS, which is being evaluated by the BLM. The committee encouraged SPG to continue engaging in dialogue with the military.

Economic Impact in New Mexico of Rural Electric Cooperatives

Christopher A. Erickson, associate professor of economics, NMSU, and Keven Groenewold, executive vice president and general manager, New Mexico Rural Electric Cooperative Association, gave a macro-view of the role of electric cooperatives in New Mexico. New Mexico has 16 rural electric cooperatives operating in 32 counties. The cooperatives serve more than 200,000 rural customers and maintain more than 44,000 miles of transmission lines. They provide a vital service to rural communities that otherwise would not receive power or would have to pay higher rates than their urban counterparts. New Mexico's electric cooperatives have 789 full-time employees. Cooperatives are exempt from corporate income tax at the state and federal levels because of their nonprofit status. However, they are subject to sales, property and other taxes. New Mexico's electric cooperatives are actively seeking to improve the environment through energy conservation education and by using renewable energy resources. The cooperatives also give academic scholarships to youths within their consumer bases. In 2008, for example, they awarded more than 459 scholarships to youths, totaling over \$570,000. The scholarship program has awarded over \$5.2 million since its inception. Electric cooperatives in New Mexico serve the communities in which they operate and have become a major contributor to New Mexico's economy.

The committee commended New Mexico's electric cooperatives for the benefits to consumers achieved by their conservation programs. Committee members asked about projects to develop solar energy in New Mexico. A representative from the Energy, Minerals and Natural Resources Department stated that a solar park is being built in Hatch, New Mexico. It will be the largest solar facility in the state. The committee recognized the electric cooperatives for their good work and for the money they bring to rural communities in the state.

The meeting adjourned at 4:54 p.m.

