

**MINUTES**  
**of the**  
**ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS**  
**COMMITTEE**

**November 18-19, 2004**  
**Room 307, State Capitol**

The meeting of the Economic and Rural Development and Telecommunications Committee was called to order by Representative Mary Helen Garcia, chair, at 9:15 a.m. on November 18, 2004 in Room 307, State Capitol.

**PRESENT**

Rep. Mary Helen Garcia, Chair  
Rep. Jose A. Campos  
Rep. Daniel R. Foley (11/18)  
Sen. Mary Jane M. Garcia  
Sen. Phill A. Griego (11/18)  
Sen. Clinton D. Harden, Jr.  
Rep. Patricia A. Lundstrom  
Rep. Richard D. Vigil

**ABSENT**

Rep. Richard Cheney  
Sen. Carroll H. Leavell  
Rep. Andy Nunez  
Sen. John Pinto  
Sen. William E. Sharer

**Advisory Members**

Rep. Diane Miller Hamilton  
Rep. John A. Heaton (11/18)  
Rep. Ted Hobbs  
Rep. Pauline J. Ponce  
Rep. Debbie A. Rodella  
Rep. Harriet Ruiz  
Rep. Nick L. Salazar (11/18)

Sen. Ben D. Altamirano  
Sen. Dianna J. Duran  
Sen. Stuart Ingle  
Sen. Timothy Z. Jennings  
Sen. Raymond Kysar  
Sen. Leonard Tsosie

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

**Staff**

Gordon Meeks  
Larry Matlock

**RESPONSE TO QWEST—PROPOSED LEGISLATION**

Lyle Williamson, regional government affairs director for MCI Communications, told the committee that MCI is not dead. He said his company still has 65 percent of the Fortune 500 companies as clients for telephone services. He testified that economic growth will come from a continuation of productivity increases based on knowledgeable workers. He referred to rapid technological changes that offer tremendous promise. He said that there are extensive jurisdictional issues over what roles Congress, the Federal Communications Commission (FCC)

and the states should respectively play, and that these are broader questions than just one company asking for regulatory reform on its own situation. He said that Qwest's proposed changes would raise the regulatory burden on other companies. He said that regulatory reform needs to be addressed for the whole industry, not just for Qwest.

Questions and comments addressed:

- the service area of MCI;
- the cost of MCI service;
- MCI's business plan relative to combining local and long-distance service;
- MCI's business customers;
- lighter regulation on MCI than on Qwest; and
- MCI's \$38 million investment in its global network.

Ed Lopez, secretary of general services, told the committee that the state's telephone network is Qwest's single largest customer in the state. He said that as a customer of Qwest, the state government has an immense interest in any proposed regulatory reform that could affect the rates the state pays for these services. He said that the state's greatest goal is investment in economic development infrastructure, especially telecommunications. He referred to Governor Richardson's program, "Wire New Mexico". Revising Qwest's regulatory framework might affect investment in the state's telecommunications infrastructure. He said the administration is working hard to use state resources; for example, the media initiative.

Secretary Lopez told the committee that he has received a copy of the draft Qwest bill and acknowledged that the most recent one has some changes from the version he reviewed previously. He has not had enough time to look at those changes and is not prepared to address the specifics. He continued speaking to the generalities. He said that the wireless arena is robust and thriving, and a distinction must be made between wireless and competition in the wireline market. His concern is the investment component of the phone company's legislation, because, he said, if the state is going to wire rural medical clinics, rural public schools and connect libraries, the state needs connectivity on broadband lines. Public policy needs to encourage investment, he said. His concern with the discussion draft is that it appears to be the end of incentives for investment by Qwest.

He said Qwest's argument is that investment requirements should apply to all companies doing business in the state, which at first sounds reasonable. However, if one is trying to stimulate investment, one may find that if the Qwest legislation becomes law, there would be no additional investment because the withering wireline phone companies will not be able to match the levels of investment Qwest has already made, and Qwest will not be required to invest any more, especially in the rural communities.

The second indication that policy would discourage additional investment is the second draft bill on rural extension funds, which were created as a trust account in the 1980s to settle overearnings. Millions of dollars were placed in a pot to extend rural telecommunications

services. That money was paid to avoid a rate reduction in the 1980s, and that fund is a strategic asset for rural communities. The third indication that this proposed policy may signal an end to wireline investment in New Mexico is the ongoing investigation at the Public Regulation Commission (PRC) of the alternative regulation plan that Qwest agreed to in 2001. That agreement provided for an investment of \$788 million to avoid a rate reduction. That was a good deal, he said. However, the PRC is now investigating whether Qwest has invested what it promised, and whether it should be forgiven for \$200 million of additional investment.

He concluded by saying that these two bills proposed by Qwest are not the signs of a company that wants to invest more in the state. He warned that the federal Department of Defense (DOD) is watching these regulatory developments closely because DOD has tentative plans for closure of military bases in New Mexico and further investment in wireline networks is a consideration. Enacting these bills could compromise the attractiveness of New Mexico's bases and labs. To build a redundant network will require millions of dollars, which is a grave concern. The draft says that if all the other wireline companies do not invest at the same level, Qwest is not required to invest, either.

He said he concurs with the wireless companies assertion that they can improve their contributions to the state in terms of access charges, and that he thinks this is a fine opportunity to reform access charges. The state could provide an access charge bill to save some money. Secretary Lopez stated that he is committed to finding ways to reduce the state's telecommunications bill by 50 percent before he leaves as secretary. A way to accomplish this is to aggregate the state's purchases of wireless phones, but wireline savings will still be important. Reducing the amount of access charges the state pays would be a positive outcome.

Secretary Lopez continued, saying that the wireless companies are investing well, but they could be challenged to contribute. He said there is a misconception that wireline competition has improved since the 1996 federal reform act. The act that Congress passed was intended to stimulate competition among wireline phone companies, but it failed. There are firms leading the charge, but AT&T is not participating in this debate, citing an example of dramatic changes in the industry. Competition in the wireline arena is in trouble, he said. Wireline customers have decreased in the larger cities by about 50,000 customers. Of that 50,000, a fair number have gone away because of DSL, a Qwest product. It does not require extra lines, which is a positive feature. But it was Qwest's Wireless, a wholly owned subsidiary, that had been aggressively marketing wireless phones. The argument that a wireless phone is a substitute is difficult to justify, unless the customer is a single-person household. Wireless phones are being held out as a substitute in marketing campaigns, but they are not substitutes.

He concluded that it would be a mistake for the committee to endorse this bill.

Questions and comments included:

- competition improving telephone service in Roswell;
- how does this legislation do away with investment in New Mexico;

- the legislation's effect on business;
- the state's contract with Qwest and the state's bargaining leverage as the largest customer; and
- the public letter from the secretary of general services dated October 30 opposing the legislation.

The chair recognized Leo Baca, a lobbyist for Qwest, to make a few comments. He handed out some charts and a map to illustrate Qwest's position. He said that Qwest will not stop investing. He pointed out that the company has lots of employees and invests in New Mexico every day. The biggest bucket Qwest draws from has to do with growth, he said. The Qwest network is not growing. The trends are down, he said.

A quorum being present, the committee approved all minutes of the four previous meetings without objection.

### **TELECOMMUNICATIONS ACCESS REFORM**

Steve Metts, New Mexico Exchange Carrier Group, summarized his presentation to the committee when it met in Roswell. He said that access charges approved under existing regulations have been set high in order to reduce service charges for local telephone service, an implicit subsidy. The FCC made subsidies illegal when it reformed regulations. He distributed the proposed draft bill again and said that the stakeholders had met in a workshop to address the contents of the bill. He identified the workshop participants, but said that they did not arrive at a consensus. He said some will speak against this bill, but it is a good product, and the critical decision will be before the PRC. He summarized the bill, which provides for a rural universal service fund similar to a federal fund and supports affordable rates for telecommunications services. It gives authority to the PRC to establish an intrastate surcharge on public telecommunications services to finance the fund. An eligible telecommunications carrier can then draw from the fund, pursuant to PRC rules, to provide access. Federal universal service funds are also available through PRC oversight as a separate fund. A neutral third-party administrator is to be selected by the PRC to collect and disperse the money pursuant to PRC supervision. This fund will offset a phased reduction in intrastate switched access charges to make them equal to interstate switched access charges established under federal law by May 2008.

Public Regulation Commissioner Linda Lovejoy told the committee that the PRC staff has worked on this bill for over two years. She said it is a very technical issue that is legalistic in nature and hard to understand. A bill like this presented to this committee in one sitting is not enough, she said. Over the session, it is hoped that legislators will embrace this legislation and understand it. She said that the work groups put lots of work into this legislation, they feel it may work. She said she did not support the legislation when it was introduced last year because of the surcharge that would be tacked on, which would have to be paid by rural customers. It would be paid by fixed-income citizens and senior citizens who do not have long-distance service but need local service for medical and health reasons. These people would be

negatively impacted.

She said this bill will be presented to the PRC at its meeting on December 2. She said she is one commissioner who has come before an interim committee time and again. She asked, What does the legislature want? How do they want telecommunications regulated? She said that last year the legislature amended the PRC laws governing telecommunications to create three tiers of regulations and now all the companies that asked for those changes last year want to be deregulated this year. She said there must be balance between the companies and the consumers.

Questions and comments included:

- problems with the three-tiered approach;
- schedules and agendas of forthcoming PRC meetings;
- the need for balance between business and consumer interests;
- the PRC's deliberation of the elements and the various trade-offs for new rules;
- does the current system afford a level playing field for the telecommunications industry fairly;
- non-transitive, fixed costs; and
- recouping the cost of investment by the company to connect customers.

Ed Mahr, representing T-Mobile Wireless, said that if this bill passes, it will affect everyone who carries a cell phone. It is a tax on everyone. His client opposes the legislation.

Russel Sarazen, also of T-Mobile, said that the chart does not show the other side of the equation. He said on the surface it looks like wireless companies get an advantage, but they do not. There are significant problems with the system, but the federal government is in the process of reviewing the situation to solve this problem. He said if New Mexico moves forward without the federal framework, the state will be out of step. He asked the committee not to rush forward with the new tax, but to wait for a national solution.

Michael Bagley, Verizon Wireless, told the committee that Verizon is the largest carrier in New Mexico. He said this bill imposes a new tax on wireless customers. It does not serve their interests.

A conversation ensued regarding that what the wireline companies pay for, the wireless do not pay for, and vice versa.

Lisa Dator, government affairs representative for Sprint, also spoke against the proposal.

Warren Salomon, AARP, said that with this bill, rural users will have an increase, large users will decrease and the rate increase would be as high as 10 percent in some cases.

Jay Gurley, Plateau, a company that has landline and wireless services, said his company supports the bill.

Sam Ray, lobbyist for the Exchange Carrier Group, said there are a lot of people here in favor of the bill.

### **BUSINESS INCUBATORS**

Marie Longsere, Santa Fe Business Incubator, and Nancy Mahoney, WESTCorp, told the committee that the governor supports the business incubator concept. They said that they wanted to have the proposed legislation ready, but that Secretary Homans and Secretary Jimenez are putting it together and it has not been finalized yet. They summarized the operations of the Santa Fe Business Incubator as a model for the rest of the state and the key ingredients of the anticipated bill, which are: capital funding for facilities; three-year launch funding for initial operations of several incubators statewide; a certification program for incubator operators; and appropriations to enhance the existing incubators. There is a desire for business incubation in Farmington, Clovis, Gallup, Albuquerque, Alamogordo, Las Cruces and Roswell and for expansion efforts in Carlsbad. They introduced supporters in attendance, who included: John Marquez, Agnes Noonan, Carol Radosevich and Julian Brown, who is an entrepreneur and grew her successful business, the Brown Adobe and Mexican Connection salsas. She now has 40 products.

### **ECONOMIC DEVELOPMENT DEPARTMENT LEGISLATIVE INITIATIVES**

Frank Marquez and Carol Selek from the Economic Development Department (EDD) reiterated the same list of proposed legislation from the October meeting in Las Cruces.

Questions and discussion focused on:

- fiscal impacts of tax credit bills;
- an explanation of a compensating tax;
- the competitive disadvantage for military research in New Mexico because of the applicable gross receipts tax of the state;
- removal of the sunset provision on the rural jobs tax credit;
- film training;
- definition of "rural jobs"; and
- the need for analysis of business losses to offset the negative fiscal impact reports that are typical Taxation and Revenue Department analyses of tax credits for economic development.

### **ALTERNATIVE LENDING**

Bill Verant, director of the Financial Institutions Division of the Regulation and Licensing Department, explained the bill introduced last year and supported this year by Representative Lundstrom and others. It is intended to address egregious lending activities by the so-called "payday loan industry". The small loan industry has been an explosion nationwide — it is like the fast-cash version of fast food. There are 650 businesses in New Mexico that make car title loans or payday loans. These financing schemes provide a billion dollars per year to New Mexicans. They have emerged in recent years in part because of the increased costliness of bounced checks. The total charges among the bank, the merchant and the

collection agency for bounced checks can exceed the amount that payday lenders provide. Their loans are high-cost but are intended to be short-term. As the amount of float time in check processing has decreased (processed now in hours rather than days), the environment has fostered these closed loans.

Questions and comments included:

- that limiting it too much may result in potential harm to customers, constituents and businesses;
- that the intention is not to kill the industry but to regulate it;
- other hearings by other committees;
- the industry input in development of the bill; and
- the use of garnishment laws for collateral by the industry and the burden on small businesses.

A member of the Navajo Nation Tribal Council spoke in support of the legislation.

A quorum being present, a motion to adopt the Qwest-sponsored bill was made and approved. The alternative lending bill was also approved over the opposition of Representative Foley, who also opposed the telecommunications access reform bill, which was approved.

#### **STATE INVESTMENT COUNCIL**

Gary Bland, state investment officer, and Greg Kulka from the State Investment Council talked about the difficulties in assisting and aiding rural areas, and quickly summarized the banking structure and how it presents an obstacle to financing small, risky businesses. The legislature started authorizing investments of the state's permanent funds in the early 1990s. The money invested tends to be in the Rio Grande corridor. Mr. Kulka said the private equity program started investing in 1988. Currently, the state has six percent of its national private equity program invested, which is almost \$210 million. The experience has been pretty good, he said, with a 13 percent annualized return, which is 300 basis points over the S&P 500 Index. Details were provided on some of those specific investments. They told the committee that the state's investment paradigm cannot be analyzed in isolation because it affects the choices banks may make. Investments by the state might bring in banking investments, but these investments may also lead to competition for the state's resident banks. They cited the experience of Los Alamos National Bank, which lost the payroll contract for the Los Alamos National Laboratory to an out-of-state bank.

Comments included:

- the names of companies that the state invested in;
- film company;
- "rural Albuquerque";
- Cyclotron in Carlsbad;
- Representative Foley's compliment of the State Investment Council for its efforts in rural New Mexico;

- a way to capture some of the dollars from the oil and gas industry;
- the potential increase in revenue from higher gas prices;
- the Community Reinvestment Act;
- the collateralization of personal property for small businesses;
- conditioning investments on the majority of employees being New Mexicans;
- the need for aircraft hangars;
- politicizing investment decisions;
- banking standards;
- the inadequate response to business in Grants;
- how New Mexico is the third-fastest growing economy in the country;
- the Community Redevelopment Act;
- options to dilute risk that do not harm banking interests;
- the status on Eclipse Aviation;
- the locations of most companies that the State Investment Council has invested in;
- and
- federal banking regulations.

Paul Bouchelle, New Mexico Bankers Association (NMBA), said that making loans has been difficult because of the rates. Smaller community banks do not have the wherewithal to make sizeable loans. There are federal regulations that are obstacles, and smaller communities do not have cash-flow projections, which leads federal examiners to say, "You can't make the loan". Because of the failure of the savings and loans and the banks in Texas, the lending rules have gotten much more restrictive. He said cash-flow projections are necessary because money cannot be given without them. The federal Fair Lending Act requires banks to prove that they are making loans to all parts of the community, but this law does not solve the problem of small banks in rural areas. The NMBA is willing to spend time to work this out.

Several people in the audience wanted to speak on the alternative lending bill and were recognized for that purpose. John L. Rabenold, vice president of government affairs for Check 'n Go, seemed to be in support, but Ray Prushnok, New Mexico Public Interest Research Group (PIRG), opposed the bill because it does not go far enough. PIRG wants interest rate caps.

#### **NEW MEXICO FINANCE AUTHORITY**

Bill Sisneros, director of the New Mexico Finance Authority (NMFA), and Marquita Russell and Mark Valenzuela appeared before the committee to provide a status report on the capital project funding reform effort. Mr. Sisneros said that NMFA is essentially a \$2 billion bond bank. He discussed the effectiveness of the Statewide Economic Development Finance Act (SEDFFA) and the Local Economic Development Act (LEDA). He said the governor's Smart Money Initiative is intended to improve the way SEDFFA and LEDA are implemented. The state needs capitalization. To that end, the Smart Money Initiative is a partnership with state banks to finance enterprises from a \$35 million nonrecurring appropriation to create capacity throughout the state. This will go into a revolving loan program.

Questions and comments included:

- the EDD's funding needs;
- the option for the State Investment Council to put the \$35 million into the LEDA and SEDFA;
- the change in statutory language;
- the definition of "project eligibility "or "investment eligibility";
- constraints of the Public Project Revolving Loan Act;
- the role of the Small Business Investment Corporation;
- elaboration on the state version of the federal Community Development Enterprise Act;
- analysis of the potential job creation by tax credit initiatives to fairly compare tax generation to revenue loss;
- the prospective share of the rural areas portion of the \$35 million investment; and
- the legislature's approval of all the projects financed with this each year.

## **FILM AND DIGITAL MEDIA PRODUCTION**

Lisa Strout, State Film Office director, and Eric Witt, film policy advisor to the governor, testified that 25 films were produced in New Mexico during the last 24 months. One film employed 200 local people, with some New Mexico employees making \$5,000 per week. That film spent more than \$400,000 for lumber in one week. The governor's Film Incentive Program has influenced federal efforts to support the film industry. New Mexico is shaping the national dialogue, they said. The state's policy is driven by the investments by the State Investment Council in film and media productions. The legislature should be credited with this accomplishment.

Ms. Strout said that her office attended two events in Los Angeles to promote New Mexico as a destination for film producers. California and New Mexico are the two leading states trying to keep filmmakers in the United States. But in order for New Mexico to keep its competitive advantage, it needs to stay ahead of states like Pennsylvania and Illinois, which are also trying to attract filmmakers with tax incentives and investment schemes. New Mexico has the cleanest program so far, with fewer complicated conditions. The film office is now reviewing 175 scripts, with 10 per week being submitted. Television producers are not showing interest in New Mexico.

The state has three-and-a-half crews of New Mexico resident film professionals. The state needs five in order to accommodate the growing business. There are currently three productions preparing to shoot in New Mexico. For 10 years, the U.S. has been losing film production to Canada. New Mexico is now competing with Canada.

Questions and comments included:

- the definition of "New Mexico resident" for qualifying for film investment dollars;
- the need for auditing movie payroll records to ensure that employees are residents;
- the New Mexico State University film training program, "on-demand media

department" and union-certifiable curriculum at community colleges and branch campuses;

- the New Mexico filmmakers program and the governor's "cup";
- the need for cooperation with the Workforce Development Board;
- the need for filmmaking in rural New Mexico;
- digital media and opportunities to tap into national laboratories in New Mexico; and
- the state strategic media plan.

## **CAPITAL FINANCING**

Secretary of Finance and Administration James Jimenez and Robert Apodaca, capital projects director for the Department of Finance and Administration (DFA), testified that the administration is going to be recommending the creation of a water technical infrastructure team. Secretary Jimenez said that this is incumbent on his agency to make sure there is accountability. During Governor Richardson's travels around the state, he encountered information that indicates a significant need for reform of the capital appropriation process. Secretary Jimenez said that problems that were conveyed to the governor included: piecemeal planning, little prioritization, inadequate financing and weak project management and oversight. The secretary said that the governor has appointed a finance council to develop an "invest in New Mexico" finance plan with six priorities. Water is the number one priority. The governor wants a water infrastructure technical team, chaired by Anne Watkins, special assistant to the state engineer, to act as a single point of entry for submitting water-related capital projects for consideration by the executive. The team will develop a uniform funding application process that will put together public and private partnerships and encourage regional approaches to water delivery systems and services.

The governor will be requesting a total of \$44 million of investments in water projects this year, which will include water conservation, regional delivery systems, metering, desalination, reverse osmosis and aquifer re-injection. Governor Richardson is looking for funding from the Water Trust Fund, severance tax revenues and the general fund.

The total capital capacity for the forthcoming session may be as high as \$350 million. So far, the total capital requests based on a survey of the top three priorities of political subdivisions amount to \$484,294,000.

Questions and comments included:

- using the Dona Ana Mutual Domestic Water Consumers' Association regional water system as a model for the rest of the state;
- the source of the estimate of capital requests and revenue;
- the relation to the ICIP process;
- legislative opposition to the governor's reform plans and the governor's plans for dialogue;
- the idea of a minimum threshold for capital funding and what is an appropriate level;
- the disposition of unspent money for previously approved capital projects;
- funding for the Water Trust Fund;

- estimated nonrecurring revenue;
- the adjudication of water rights;
- the need for NMFA to educate communities;
- tax credits and the governor's strategic plan for tax incentives;
- politically motivated vetoes;
- the need to improve the capital planning process;
- the number of communities that responded to the survey: 99 municipalities, 41 tribal governments and about 70 special districts responded; and
- the importance of funding small projects because state money is used to leverage federal money.

Secretary Jimenez introduced Dave Hanna, retiring DFA staff coordinator of the E-911 program. Mr. Hanna explained the need for a proposed fee increase for all telecommunications services to pay for the emergency 911 system for a seamless dispatch system.

Questions and comments included:

- the purpose of the fees;
- review by the PRC;
- the status of rural addressing;
- caller identification of cell phones originating calls on the system; and
- geographic coverage of existing facilities.

**PROPOSED LEGISLATION (the bills were heard but failed to be endorsed by the committee for lack of a quorum):**

**Local option gross receipts tax for quality-of-life projects:** Cricket Apple and Cissy McDandrews spoke in favor of the bill.

**Rural Extension Fund discontinuance:** Leo Baca, Charlie Marquez and J.D. Bullington spoke in favor of the bill. Questions addressed service to remote customers, the cost of running lines, comparison of costs for trenching in soft dirt versus hard rock, held orders on Navajo land and assurance that the money is spent properly. Public Regulation Commissioner Jerome Block opposed the bill.

**Small business assistance tax credit:** Lenny Martinez and Vic Chavez from Sandia National Laboratories, Marrienne Johnston, Carol Sanchez and Vince Murphy spoke in favor of the bill.

**Cable television public access:** Ronda Orchard and Steve Ranieri spoke in favor of the bill. They want the state to require no less than two percent of the annual revenues of cable television providers to be given to public access management organizations statewide. They call it media democracy. Ken Schultz spoke against it.

**Rural Development Response Council:** Bob Coppedge, Pam Galbraith and Renee Julien spoke in favor of funding the council.

**Utilities rights of way:** John Gillis of PNM asked the committee to support a bill to amend a 1909 law to allow utilities to condemn enough land for related facilities as well as transmission lines when eminent domain is exercised.

**Enterprise facilitation:** a bill to appropriate money for Earnesto Sciroli, a business consultant, to provide technical advice to business enterprises in select communities.

**Individual development accounts:** a bill sponsored by Representative Lundstrom two years ago that would provide for an advisory committee to oversee the implementation of legislation previously enacted.

**Technical research collaborative:** Roman Maes described the research collaborative as an approach to spin-off businesses from academic and laboratory research projects. An appropriation to New Mexico Tech would provide a fiscal manager for coordination of six centers of research excellence at the various institutions.

## **INDIAN GAMING**

Charlie Dorame, president of the Indian Gaming Association, told the committee that 12,000 jobs have been created from Indian gaming without any taxpayer subsidies. He said this is home-grown economic development. Thirty-two million dollars in revenue has been shared with the state so far. He said the Indian casinos are a major tourist attraction for the state, and he invited the committee to meet at one of the casinos for its next meeting.

Drew Setter, director of the association, said that the non-Indian gaming organizations, the race tracks, have been discussing a mutual strategy for improving the gaming business.

Questions and comments included:

- the settlement of disputed revenue sharing with the Mescalero Apache Tribe;
- ramifications of out-of-state tribes opening casinos in New Mexico;
- the status of the Pueblo of Pojoaque's litigation;
- the state's role in tribal trust lands;
- whether video gaming machines are outside the scope of gaming compacts;
- the annual gross revenue from Indian gaming that stays in New Mexico compared to the amount that goes out of state;
- the use of gaming revenues to offset the loss of federal appropriations;
- the hesitation of banks to finance Pueblo of Tesuque ventures because of the compacts and competition;
- Indian gaming revenues to the state compared to the state's appropriations to the gaming tribes and pueblos;
- funds for non-gaming tribes and pueblos from Indian gaming;

- the capacity of the state to sustain more gaming; and
- the potential for class 2 gaming machines to circumvent the spirit of the gaming compacts.

### **NATIONAL GUARD EFFECTS ON THE STATE'S ECONOMY**

Delano Garcia, Colonel Barry Stout and John Early told the committee that every dollar invested by the state in the National Guard is matched on a three-to-one ratio by the federal government. They said the National Guard has a combined (air and army) impact on the state of almost \$220 million. The guard has more than 4,000 members. The federal money depends on state appropriations for a match. The guard has facilities in 29 locations throughout the state. One thousand five hundred New Mexico guardsmen are deployed in Iraq, which is a 46 percent deployment rate. The guard is involved in charitable activities and helping kids stay out of trouble. The budget has been reduced in recent years, and consequently, facilities are not being maintained adequately and soldiers are less well-equipped than they should be going into combat situations.

Comments included:

- members of legislators' families serving in the guard;
- the military-style charter school in Espanola that is serving as a model for others;
- recruitment incentives;
- service by legislators;
- hardships for deployed families and the need for assistance;
- capital outlay needs of \$3.3 million;
- compliments to Colonel Stout;
- vehicle maintenance, operations and deployment status;
- programs to help wounded guard members in Iraq;
- potential youth academies in Roswell and Las Cruces; and
- all legislators contributing a small share of their capital outlay to the guard.

The committee adjourned at 3:30 p.m.