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

September 3, 2008
University of Phoenix
Orientation Room, Administration Building
1270 Country Club Road
Santa Teresa

September 4, 2008
Sunland Park Racetrack
Sunland Park

The fourth meeting of the Economic and Rural Development Committee (ERD) was called to order at 10:08 a.m. by Representative Mary Helen Garcia, chair, on September 3, 2008 at the University of Phoenix Orientation Room in Santa Teresa, New Mexico.

Present
Rep. Mary Helen Garcia, Chair
Sen. Bernadette M. Sanchez, Vice Chair
Rep. Andrew J. Barreras
Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Sen. Mary Jane M. Garcia
Rep. Dianne Miller Hamilton
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez

Absent
Rep. Richard J. Berry
Rep. Jose A. Campos
Rep. Nora Espinoza
Sen. Phil A. Griego
Sen. Clinton D. Harden, Jr.
Sen. John Pinto
Sen. William E. Sharer

Advisory Members
Rep. Nathan P. Cote
Rep. Andy Nuñez
Rep. John Pena
Rep. Debbie A. Rodella
Rep. Shirley A. Tyler

Rep. Daniel R. Foley
Rep. William J. Gray
Rep. John A. Heaton
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Carroll H. Leavell
Rep. James Roger Madalena
Sen. Howie C. Morales
Sen. Steven P. Neville
Sen. Lidio G. Rainaldi
Sen. Shannon Robinson
Sen. John C. Ryan
Rep. Richard D. Vigil

Special Legislative Guest
Sen. Mary Kay Papen

Staff
Kate Ferlic, Legislative Council Service (LCS)
Larry Matlock, LCS

Guests
The guest list is in the meeting file.

Wednesday, September 3

Welcome
After the committee members introduced themselves, they were greeted by county commissioner Dolores Saldana-Caviness. Commissioner Saldana-Caviness was joined by Denise Brown, who is currently serving as Mrs. New Mexico.

Commissioner Saldana-Caviness presented Doña Ana County's infrastructure needs. The highest priority goes to the runway expansion needed at the airport to help it to achieve the designation of "reliever airport" for El Paso International Airport, which is the only other airport in the area. The designation will be very beneficial for economic development, especially with Ciudad Juarez wanting to increase trade.

She thanked Representative Mary Helen Garcia and Senator Cynthia Nava for their capital outlay contributions to roads and other infrastructure needs.

Representative Lundstrom moved that the committee write a letter supporting the El Paso Urbanized Area NPO in its endeavor to get funding from the federal aviation program for the runway expansion, noting that there is a nine to one federal match. Senator Martinez seconded the motion, which passed without opposition. Representative Lundstrom noted the difficulties when a part of New Mexico is part of another state's planning process.

Aracely Rocha with the University of Phoenix also greeted the committee members and gave them a brief presentation on the university's mission. El Paso scored as the fourth-poorest work force in the nation, mostly because of the low income of its workers. Access to higher education, especially for those already working, is critical to remedy that situation. Of the 700,000 people that live in El Paso, only six percent hold bachelor's degrees and only three percent hold master's degrees.

A population explosion is also expected, with major installations like Fort Bliss and

White Sands Missile Range bringing in soldiers and technology companies. El Paso's expected growth will exceed 100,000 in the next four years. Economic development will bypass El Paso and Las Cruces if the work force is not ready with the necessary levels of education.

High school diplomas and SATs are not required for acceptance to the University of Phoenix. Students can earn an associate's degree in 18 months, a bachelor's degree in two or three years or a master's degree in 18 months or less.

Update on Union Pacific Railroad-Southern NM/El Paso Area Rail Facilities Plan

Luis A. Heredia, director of public affairs for the Union Pacific Railroad (UPRR), was joined by Fred O'Cheskey, lobbyist. The handout consists of a folder containing the slides of the presentation, called "The Ties That Bind a Nation: Union Pacific".

Mr. Heredia explained that the UPRR was created by an act of Congress signed by President Lincoln. It was the first railroad to connect the west to the rest of the United States. There are 50,000 employees in 23 states.

The demand for hauling freight by rail is currently enjoying a renaissance. Having diverse freight keeps it from being dependent on any one market. It is a capital-intensive business, requiring $3 billion in capital investment each year to replace ties and rails and to increase capacity.

The company is trying to add a second track to its "Sunset Corridor", which extends from the ports in Los Angeles and Long Beach, California, to El Paso. New Mexico's section of double track is complete, and Arizona and California will be complete by 2011.

New facilities are planned, including fueling stations, new areas for crew change and inspection and an intermodal switching yard, all of which will be in New Mexico. This phase of construction should be complete by 2011, with construction of a new train-to-truck transfer station beginning in 2014. Fourteen buildings will be constructed, all Leadership in Energy and Environmental Design (LEED) certified.

Representative Cote expressed concern about hazardous materials transported by rail. Mr. Heredia explained that the UPRR is federally obligated to accept the material. He assured Representative Cote that the UPRR works with hazardous materials agencies and constantly engages in emergency preparedness, although he is prohibited from disclosing the plans that are in place.

Senator Garcia asked about the 285 jobs that had been transferred to El Paso. Mr. Heredia said that the company was shifting some of its employees and many of its employees would move back to Santa Teresa as the new facilities are built there.

Bill Hume, senior policy advisor for Governor Bill Richardson, explained that the

governor has been in talks with the UPRR and the Burlington Santa Fe Railroad, as well as with the officials of Ciudad Juarez, to move the main rail crossings to Santa Teresa, which will cost hundreds of millions of dollars.

New Mexico Manufacturing Extension Partnership (MEP)

Ron Burke, interim director of the MEP, brought representatives from three local companies that have seen significant benefits from the MEP program. The MEP is a part of a national network of not-for-profit entities that assist small businesses. Besides supporting them, the MEP also provides training for employees to help with work force development. Last year's legislative appropriation of $435,000 resulted in the retention or acquisition of 500 jobs, with 75 percent of the reported results taking place in rural communities.

Martin Small, president of Calculex, and Ron Mathews, product and quality manager of Calculex, told the committee how the MEP had aided their business of making performance recording equipment for air, ground and subsurface vehicles for the U.S. Air Force, the U.S. Navy and the North Atlantic Treaty Organization (NATO). The MEP gave the company its "Lean Manufacturing 101" course and helped address the transition from limited to larger volume manufacturing for fleetwide applications. The MEP did analysis and rewrote the procedures for quality management, which will help the company become ISO-9000-certified by 2009. Failure to gain the ISO-9000 certification would result in disqualification from bidding on Department of Defense and NATO contracts.

Linda Schroeder, vice president of Samson Equipment in the West Mesa Industrial Park, appeared before the committee in place of her husband, David Schroeder. The company manufactures weight training equipment for schools and universities and has a contract at Fort Bliss. Mr. Schroeder attended the Lean Manufacturing 101 workshop, which triggered a series of visits over four days. With the MEP's help, the company was able to increase production by 31 percent in 2006. The increase in production increased sales by 53 percent in the same fiscal year without price increases. The Schroeders paid $4,000 for the expertise they received and are planning on using the MEP again for the next expansion of the plant.

Manny Chavez, plant manager for Foamex in Santa Teresa, thanked the MEP for helping to maintain sales and credited the MEP with savings of over $600,000. The company, which is the largest supplier of polyurethane foam for car interiors, had suffered a 35 percent market downturn, with $39 million in lost revenue. After reorganizing the floor for more efficiency and collecting data for more informed decisions, costs were lowered and shipments to Shanghai, China, increased. There are currently 15 employees, with the hope of expanding to 19 or 20 by the end of the fiscal year.

Work Force Training

Melissa Lomax, chief of career, technical and work force education for the Public Education Department (PED), gave the committee her handout, which is in the meeting file. Tom Montano, business manager for the United Association of Plumbers and Pipefitters Local

#412, and Steve Crespin, executive director of the Mechanical Contractors Association, joined her at the presenters' table.

Ms. Lomax confirmed that the committee appointed to study pre-apprenticeship programs would be making its final recommendations after its final meeting in Elephant Butte. The committee has been examining college credits and dual credit, finding qualified instructors, mapping work force needs and assessing the readiness of secondary and post-secondary institutions to implement the programs.

Mr. Crespin noted that joining forces had reduced the duplication of effort, stretching resources that would normally have been wasted. He cautioned that skilled workers will be in short supply in just a few more years.

Mr. Montano said that over 300 young people had expressed interest in the program since it began eight months ago. Much of the response came from rural areas, which has not happened before, with applicants coming from Carlsbad, Clovis and Gallup, as well as Las Cruces.

Mr. Crespin highlighted the possibilities of shifting advertising to specifically targeted areas of the state, especially in Eunice, where there is a great demand for construction workers of all types for nuclear-enrichment facilities.

At the conclusion of the presentation, Ms. Lomax said that the PED would seek the committee's endorsement of draft legislation for the 2009 regular session.

Representative Nuñez, noticing the absence of anyone from the Economic Development Department (EDD), made a motion to send a letter requesting the presence of a representative of the EDD at every meeting. Senator Martinez seconded the motion, which passed without opposition.

The committee recessed for lunch at 12:35 p.m.

Jurisdictional Response to House Bill 219 and Related Issues

Building officials Frank Torres and Laura Nelson were joined by Mark Torres, retired building official from Las Cruces. Their handout, which Frank Torres followed very closely, is in the meeting file.

They viewed House Bill 219 as an obstacle to the state's economic development goals. It would increase the cost of development, put a burden on local jurisdictions and require additional personnel to implement. Solutions include reducing operational inefficiencies in the administration of local building programs by changing the rules and administrative practices of the Construction Industries Division (CID) of the Regulation and Licensing Department.

The core goal should be to make the state more conducive to economic development by streamlining inspection practices and reducing unrealistic burdens on local businesses.

He criticized the availability of inspectors in rural areas and said that most jurisdictions operate only partial building programs, with CID inspectors helping with the backlog. The backlog can extend as long as two weeks, and he noted that backup inspectors for those on leave are very rare. He recommended eliminating these delays by partnering with neighboring jurisdictions, which is currently prohibited. "By eliminating the possibility of joint powers agreements between jurisdictions, there will continue to be delays and increased costs," he said. He also said that the CID's tendency to determine where an inspector will inspect has no basis in state law.

Frank Torres listed the issues that need to be reformed, including the requirements for primary inspectors, the multiple certifications required from inspectors, joint powers agreements (JPAs) between jurisdictions and the use of inspection agencies.

Lisa Martinez, director of the CID, responded to the building officials, confirming that of the 33 programs, only seven to nine of them have full service with inspectors ready to do inspections in all trades. The remaining 20 or so only have one or two inspection programs, which are divided into construction, electrical and mechanical. If an inspector quits, retires or is fired, the CID has to field the complaints. If a local program cannot meet its own needs, the CID has to assume responsibility for it, as has happened in Corrales and Alamogordo. The CID's need to manage inspectors and programs was the intent of House Bill 219.

A new set of draft rules is available providing for multiple inspectors, as well as containing provisions for JPAs so several programs can work together to share inspectors and resources. She intends to work hand-in-hand with the New Mexico Municipal League to bring together technical advisors to get a plan that will work for everyone, thus alleviating the current management nightmare.

Ms. Martinez provided the committee with a copy of the fiscal impact report for House Bill 219, as well as a letter from the CID to Bill Fulginiti of the New Mexico Municipal League.

U.S.-Mexico Trade and Border Economic Development

Jaime Campos, executive director of the New Mexico Border Authority (NMBA), Juan Massey, director of the Trade and Mexican Affairs Division of the EDD, and Jerry Pacheco, executive director of the International Business Accelerator, presented the status of the Santa Teresa/San Jeronimo port of entry and other projects in the region on both sides of the border.

Mr. Campos was very enthusiastic about a maquiladora that will open next to the Santa Teresa port of entry in San Jeronimo. Over 1.3 million square feet of buildings is planned for this mega-project. Construction of the offices that will house the NMBA has also begun.

Mr. Pacheco says the extended hours at the port of entry, the southbound export lane and a FAST lane for pre-inspected cargo will attract suppliers for manufacturers for companies like Hewlett Packard, Apple Computers and Sony. Mr. Campos added that the Mexican government

approved a foreign trade zone on the Mexican side of the border, meaning that goods can flow freely in the restricted area, allowing manufacturing to take place there. This has caught the attention of many other companies because the proposed rail crossing is 3.4 miles to the west. A presidential permit is required for the rail crossing.

Representative Nuñez noticed that the number of trucks crossing the border was down in March 2006. Mr. Pacheco explained that the week of Easter is a hugely popular time for travel for Mexican and American families, with waits as long as two and three hours on both sides of the crossing. Because of this, maquiladoras give their employees vacation during Easter. Customs offices on both sides are closed for the holidays, so there are fewer days to haul goods across. Mr. Campos advocated for more ports of entry, even if they are located in Texas.

Although a dirt road exists on the Mexican side of the crossing at Antelope Wells, tourism will remain sluggish there until it is paved. He hopes to see Mexico begin paving it during the first half of 2009.

Mr. Campos noted that the new fence at the border is required to leave space at the bottom big enough for jackrabbits to cross freely. The space is easily expanded to a size big enough for a person to squeeze under.

Juan Massey spoke about the maquiladora supply program and the New Mexico/Chihuahua Commission, which is working on a direct flight between Albuquerque and Ciudad Chihuahua.

He said that New Mexico exports to Mexico were worth $375 million, which is an all-time high, up 45 percent from the previous year.

The biggest challenge to recruiting companies to the area is the lack of suitable housing in Santa Teresa. In addition to building more housing, Mr. Pacheco would like to tweak the incentives the state offers to businesses to continue to beat anything offered on the Texas side. He would like to create a border commercial zone to attract those workers who work in Texas because there is no state income tax there, but live in New Mexico to take advantage of low property taxes.

Mesilla Valley Economic Development Alliance (MVEDA)

Bryn Davis, chair of the MVEDA board of directors, and Fred Shepherd, business development manager for MVEDA, gave the committee members their handout, which contains statistics on regional income and educational levels. They explained that they struggle to attract businesses into the area. He noted that El Paso businesses tend to use the Texas Department of Labor to get their employees, foregoing New Mexico completely. "We aren't just forfeiting revenue; we're forfeiting the whole pie!" he stressed.

Although the town of Chaparral is an ideal location for government and technology development, it would still be overlooked without the high-wage tax credit. He encouraged supporting a border residents tax credit to increase the population on the New Mexico side. He also recommended expanding access to high-speed internet capability at the West Mesa.

Representative Lundstrom moved that the co-chairs sponsor memorials to recognize the work of economic development groups statewide during the 2009 regular legislative session. Representative Nuñez seconded the motion, which passed without opposition.

The minutes of the committee's second meeting were adopted without opposition.

Tax Increment Development Districts (TIDDs) in Las Cruces

Mark Sutter, finance director for the City of Las Cruces, presented in place of Brian Haines and Robert Garza. His handout is entitled "Tax Increment Development District: The City of Las Cruces Experience".

He explained that you start with a base amount of tax, for example, property tax or gross receipts tax. The amount of money available for infrastructure upgrades is the growth that comes from that base. It is an incremental tax concept, in which taxes earned in an area are spent on infrastructure in that area.

Infrastructure projects that could be funded by the TIDD include opening up Main Street, eliminating the "racetrack", an oval in the city's center, installing pedestrian-safe roundabouts and building public/private parking structures.

The city has adopted the TIDD ordinance and created the mathematical model, although much financial analysis remains to be done.

He noted that part of the difficulty of communicating the idea is avoiding the misconception that taxes are increasing. He stressed that it is not a tax increase.

On the subject of Mesa del Sol in the Albuquerque area, Representative Pena expressed some concern. "The infrastructure is funded by the incremental sales tax at Mesa del Sol. After the 25-year period, the infrastructure is in place and the bonds are retired, then what is to keep Mesa del Sol from seceding from Albuquerque and absolving themselves from any obligations to the city?" he asked. Mr. Sutter has considered that possibility and stressed the importance of maintaining control of the TIDD. "Our intent is to do the project, pay the debt and get out of it," said Mr. Sutter.

Senator Garcia said that some legislators view TIDDs as a subsidy for developers. "Who are the owners that get to vote? How is the boundary determined?" she questioned. She noted that it is a complicated issue that will continue to evolve.

The committee recessed at 5:01 p.m.

<u>Thursday, September 4</u>

Welcome

Mayor Martin Resendiz of Sunland Park greeted the committee members after the meeting was called to order at 9:13 a.m.

Introduction to the Racetrack

Scott Scanland, lobbyist for the Sunland Park Racetrack and Casino, gave the committee some details about some of the challenges facing state-sanctioned gambling in the area, including the intrusion of "Sweepstakes Parlors". The mobile gambling parlors moved from city to city in Texas, including Abilene, Lubbock and El Paso, before being shut down by the attorney general. The Tiguas, a Pueblo tribe that originally lived in New Mexico, opened a casino in El Paso that was eventually shut down by court order. Several years later, the tribe opened a small casino again, which it updated and started to advertise before being shut down by court order again.

Status of Gaming in New Mexico

John Monforte, executive director of the Gaming Control Board (GCB), and James Norvell, chair of the GCB, gave the committee an update on the board's activities. Their handout, which contains a breakdown of gambling revenue, is in the meeting file.

In addition to the update, several new issues were introduced, including the case of one man with a special coin that would always return itself. He was able to bet with no risk and was caught on video surveillance cameras. Although he won over $30,000, the district attorney of Las Cruces dismissed the case because the statute was vague. This same man also won money at the casino in Hobbs, which the district attorney is not going to prosecute, either. Cleanup language will be necessary during the 2009 legislative session, which will be presented to the Revenue Stabilization and Policy Committee.

Mr. Norvell also spoke about the sweepstakes parlor that attempted to operate in Las Cruces. On August 18, 2008, law enforcement officers from the GCB confiscated computer terminals being used for the game. The owners contended that it was a legal sweepstakes, but the GCB determined they were engaged in illegal gaming. They claim to be "cyber cafes" and their games are sweepstakes because there is no "consideration", no ante paid and a free opportunity to play; however, there is a charge to open an account. If these operations are deemed legal, they will threaten legitimate gaming in the state.

Mr. Norvell presented the board's need for two or three new employees in its Information Technology Department, citing the need to have technicians ready when machines stop working. While the machines are down, no revenue is being generated for the casino or the state.

Senator Duran noticed that employees at the new Buffalo Thunder Casino are all from Turkey and Moldavia. These workers are imported, housed on-site for three months at a time and are paid by the tribe. She asked the casino manager, "Why aren't you hiring locals?" He responded that it is nearly impossible to find locals who can pass the drug tests and are willing to work for $7.00 per hour.

Status of Horse Racing in New Mexico

Julian Luna, agency director of the New Mexico Racing Commission (NMRC), Arnold Rael, chair of the NMRC, and Eddie Fowler, commissioner of the NMRC, made their annual appearance before the committee. Their handout is in the meeting file.

In April 2008, the commission approved the Downs at Albuquerque to transfer its racing

license to Moriarty. This new facility will offer 50 race days and 1,500 stalls.

On August 25, 2008, a special hearing was held to approve the application from Racing at Raton, LLC. Sixty additional race days are proposed, and 1,500 stalls will be available during the summer race season.

Mr. Luna stressed the importance of the integrity of the races and said that one-third of the budget goes to testing horses for performance-enhancing drugs. The NMRC has a staff of 19 and wants to hire three more employees, including one investigator, a financial budget analyst and a lab technician/veterinarian.

Committee members asked about illegal horse racing. Mr. Luna explained that match racing is taking place in Valencia County, but the biggest matches take place in Lea County near Hobbs. Contestants meet in a field. A rope is held as the start line, and when the rope drops, the two riders begin racing. "They aren't licensed, and even though it's not in our jurisdiction, it still hurts our industry," Mr. Luna stated.

Cable Television Update and Challenges

Chris Dunkeson, general manager for Comcast Albuquerque, presented the upcoming switch from analog to digital signals for over-the-air television broadcasting. Once the analog signals are gone, viewers accustomed to getting their television content from antennas or "rabbit ears" will need a digital tuner. Although, statewide, 65 percent of the households are aware of the upcoming change, the biggest challenge remains in informing the Spanish-speaking segment of the television audience.

There being no further business, the committee adjourned at 11:46 a.m.