

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

September 6, 2005
Room 322, State Capitol
Santa Fe

The fourth meeting of the Economic and Rural Development and Telecommunications Committee for the 2005 interim was called to order by Senator Bernadette M. Sanchez, chair, on September 6, 2005 at 10:20 a.m. in Room 322, State Capitol.

PRESENT

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Jose A. Campos
Rep. Daniel R. Foley
Sen. Mary Jane M. Garcia
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Sen. Carroll H. Leavell
Sen. Richard C. Martinez
Rep. Kathy A. McCoy
Rep. Andy Nunez

Advisory Members

Sen. Ben D. Altamirano
Rep. William "Ed" Boykin
Rep. Ernest A. Chavez
Sen. Dianna J. Duran
Sen. Phil A. Griego
Rep. Ted Hobbs
Sen. Lidio G. Rainaldi
Rep. Harriet I. Ruiz
Sen. John C. Ryan
Rep. Richard D. Vigil

Staff

Lisa Barsumian
Larry Matlock

Guests

The guest list is in the meeting file.

ABSENT

Rep. Hector H. Balderas
Rep. Patricia A. Lundstrom
Sen. John Pinto
Sen. William E. Sharer
Sen. Leonard Tsosie

Rep. John A. Heaton
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Rep. Al Park
Rep. Debbie A. Rodella

Tuesday, September 6

The first presenter, Rick Homans, secretary of economic development, appeared at the committee's request. Mr. Homans provided an update of the department's activities. The 2005 Small Business Relief Act, sponsored by Senator Altamirano, was not accompanied by money for implementation. Its mission is to review any new policy, regulation or procedure for the effect of the change on small business. Staff will be necessary to implement the act. Every agency must review all of its rules in the next five-year period. An advisory committee has been appointed. A new business incubator certification program was created in 2005. A bill was introduced during the 2005 session containing a matching grant program for capital outlay and operating funds that would phase out over a three- or four-year period. However, the money was removed from the bill. The bill progressed and the Economic Development Department (EDD) supported the certification program. Now, before a business incubator can receive funds, the incubator has to be certified by the EDD. Representative McCoy questioned whether the EDD's business recruitment program requires a community to accept a business. As an example, she used a protest against Wal-Mart locating in her community. Mr. Homans indicated that EDD follows the community's lead.

Representative Nunez inquired about how close EDD is to licensing the Spaceport. Mr. Homans responded that licensing will be completed by summer 2006. The license from the Federal Aviation Administration will be granted by the end of 2006. Representative Nunez asked how the state can attempt one of the first launches and build infrastructure without the necessary licenses. Mr. Homans responded that small launches simply require a concrete launch pad and a portable building. Once the state starts some activity, more will follow. Representative Garcia inquired about whether the Spaceport has the necessary water rights. Mr. Homans responded that NMSU has been hired to provide answers and the project has been trying to form agreements with local communities. Water needs will depend on the kind of technology and fuel required for launches. The facility is not water-intensive. The feasibility of drilling is being explored. The water use requirement is addressed in the facility plan. EDD is confident about the quantity that will be needed and its availability. Representative Nunez stated that the villages of Hatch and Rincon have signed an agreement to provide water.

Senator Leavell noted that he receives complaints about the Construction Industries Division of the Regulation and Licensing Department and the Department of Environment. If businesses cannot get permits in a timely manner, businesses will not locate in New Mexico. He also has received complaints about the Taxation and Revenue Department (TRD). During the meeting, he received a call and it was another problem — his constituents cannot get calls through to the TRD because all the phone lines are forwarded. He expressed his frustration with some parts of state government. Mr. Homans responded that his relationship with each of those agencies is good and that he has found them to be responsive. He offered his cell phone number to the committee (670-8637) and his willingness to act as its ombudsman.

Senator Griego asked whether workforce development is still attached to EDD or works with EDD. Mr. Homans responded that the legislature created the Office of Workforce Training and Development (OWTD) that reports to the governor. The office holds monthly meetings that are open to the public. Mr. Homans, Secretary of Public Education Veronica Garcia and OWTD Director Reese Fullerton have held hearings to get feedback from all over the state. The office is not attached to EDD, but EDD works with the office. Representative Hobbs observed that there

are 50 people on that workforce development board along with two or three legislators and speculated that the board will not be able to accomplish very much. Senator Griego explained that the office agreed to keep him informed if he voted for the program, but the only thing he has seen done in his area is "defentes de lana". Representative Salazar was heavily involved in trying to get everyone together for a successful opening, but he did not think workforce development was ever involved. He doubted that the office has done anything to satisfy its commitment. He congratulated EDD on the Main Street Program. The program has been successful in Hobbs. He explained meeting with Commissioner Ramirez and told him that, if communities like Mora want to involve themselves, the governor has committed \$1 million for streetlights. Now, Main Street Program communities can apply for grant funds and attract small businesses to their main streets. He asked if there have been any conversations with state parks to make that agency part of the state's economic development effort. Mr. Homans responded that the entities brought to the table were those with resources and that state parks are a magnet and a catalyst. Senator Griego commented that the governor requests flat budgets from state agencies and that gasoline is more expensive. He suggested giving each state park \$2 million to boost rural economic development by helping the towns and villages around those state parks.

Mr. Homans noted that models for retention and expansion of existing businesses are in place and that passage of a local economic development act is key. A local act requires a local economic development plan to be in place. Passing this type of act enables a community to dedicate five percent of its general fund revenue to private enterprise, for example, infrastructure for an industrial park. Representative Hobbs asked how many certified communities exist, to which Mr. Homans responded 23. Representative Hobbs also asked about business recruitment data. Mr. Homans responded that, as of June 30, four new companies and 1,594 new jobs have been created; 1,044 are in rural areas of New Mexico. The target was 750 new jobs. Leads come in for potential recruitment opportunities, which must meet specific criteria to ensure that these requests are serious. Mr. Homans agreed to provide a report containing data to members of this committee. Representative Hobbs also asked about the balance in the fund for job training. Mr. Homans replied that the cash balance is \$21 million. Unencumbered funds total about \$9 million.

Senator Rainaldi asked about the reference to certified communities and the requirement that communities have an economic development person. Mr. Homans responded that the passage of the Local Economic Development Act requires an ordinance. Senator Rainaldi also asked about PNM mining. The company anticipates closing and will not keep everyone employed until the last day. He asked whether anyone is addressing this situation. Mr. Homans answered that request for assistance would go through the OWTB. He offered to check and inform the senator of the response.

Senator Garcia commented that the committee should consider supporting legislation to insert a computer chip at point of entries to help monitor cargo crossing the border. The chip would expedite the entry of trucks and help the trucking industry. She suggested meeting with Mr. Homans to plan the bill, which would be a model for other border communities throughout the U.S., in partnership with Mexico.

Senator Martinez requested a list of the certified communities and copies of the criteria and other relevant material.

Senator Sanchez noted that when land grants became political subdivisions, the legislature appropriated money for the grants to develop economic development plans. EDD staff responded that last year, 70 percent of the land grant communities attended a workshop on developing these plans. The workshop was very basic. The communities made decisions on what they had to do since they had never done it before. Another conference will occur this year and colonias will be included. Six land grant communities have been identified that are interested in using their land for economic development purposes. Senator Sanchez also asked about film industry training. The state's film commissioner answered that the film technician training program was being offered at Albuquerque TVI, ENMU-Roswell and Las Cruces for the fall. EDD is looking at expanding the program to tribal colleges and colleges in the Farmington area to bring the total number of programs to six.

WESST CORP

Following lunch recess, the committee heard a presentation from WESST Corp, which is seeking capital outlay money for construction of a building to house a business incubator. A statewide nonprofit organization based in Albuquerque since 1988, WESST Corp has served 17,000 New Mexicans and 1,850 start-up businesses with the creation of 2,800 jobs. Unlike other business incubators, WESST Corp has extensive programs in place that serve small and microenterprises. The development director explained the plans for the site. A 36,500-square-foot "green" building will be constructed that is designed to use minimal nonrenewable resources. Federal funds are paying for the architectural and engineering plans and the RFP is being sent out in the next few weeks. WESST Corp will be located in the facility. Representative Foley questioned what benefit Chaves County will receive from a building in Albuquerque. The incubator will make business intelligence, such as mapping technology, available to allow small business owners to compete head-to-head in the global market. Representative Ruiz asked why only 51 percent of the proposed jobs are allocated for low-income individuals. WESST Corp Executive Director Agnes Noonan explained that 51 percent is a minimum and that it is likely that since WESST Corp will be encouraging local employment, the percentage will be higher. Representative Ruiz noted that when the Tamaya Hyatt hotel opened, the hotel did not hire locals. Ms. Noonan responded that Hyatt had to pay back public funds because it did not meet its hiring goals. That repaid money is how WESST Corp received the money it will be using. The WESST Corp project received unanimous approval from the Albuquerque City Council and the organization is well aware of the need to create economic opportunities for low-income individuals.

Regarding the benefit of the Albuquerque incubator to the rest of New Mexico, Ms. Noonan pointed out that WESST Corp is in negotiations with a national company that provides mapping technology. This technology is usually only available to larger companies; a contract with WESST Corp will make that technology available to the smallest of businesses. In response to a question from Representative Hobbs, the private sector will be contributing \$800,000 toward the project. Thirty percent of the \$7 million cost must come from the private sector. PNM has been very supportive. Senator Garcia asked whether WESST Corp is the same organization that started in the early 1990s to assist disadvantaged women. Ms. Noonan confirmed that WESST Corp was created in 1988 to provide business assistance primarily, but not exclusively, to women, minorities and people on public assistance who want to start their own businesses. The organization has helped 101 people on public assistance start their own

businesses. Seventy-five percent of its members are women. She clarified that the capital outlay money being sought is for construction. WESST Corp has a \$2 million budget. Two additional positions would be an incubator manager and a receptionist. Clients are charged a small fee of \$10.00 or \$15.00 for training services while consulting services are charged on a sliding scale.

NEW MEXICO RURAL DEVELOPMENT RESPONSE COUNCIL

William "Bill" McCamley, executive director, and Vanessa M. Quiroz, office manager, appeared on behalf of the New Mexico Rural Development Response Council. The council was created in 1991. The council includes representatives from the federal government, state government, local governments, Native American tribes, the USDA and the Clovis Area Chamber of Commerce. Since 2002, the council has created jobs in 16 New Mexico communities. Once a community develops an idea for a project, the council helps with implementation with technical assistance, technical plans, web sites and any other needed assistance. In Anthony, Fort Sumner, Clayton and Gallup, the council has organized economic development groups that are doing very well. The council is also working with Lordsburg on a new detention center. Raton possesses a great National Rifle Association shooting exhibition center. Trinity College has developed a gunsmithing program to tie in with the center. Fort Sumner has a large airstrip and would like an airport industrial park. The council will be requesting \$500,000, as it did three years ago. Matching funds may be obtained. Senator Garcia noted that Mr. McCamley is the chairman of the Dona Ana County Commission. Representative Campos commented that the council is the kind of effort he spoke of earlier. Senator Griego asked how the council disseminates information about its programs to small unincorporated towns and villages. Mr. McCamley responded that communities apply for assistance. He serves on the Job Training Partnership Board and while 80 to 90 percent of the money goes to Albuquerque, he works to distribute the remaining 10 percent to rural areas. He added that it is hard to organize unincorporated areas because there is no structure. A lot of communities can take advantage of the council's programs, but they need their hands held during that process. If the communities can demonstrate some organization and know what they want, the council can help them. Senator Griego noted that the council is requesting \$500,000 and inquired whether local legislators are invited when the council goes into these little communities so that local legislators can help follow up with the county commission, economic development group or chamber of commerce to get an application filed. Mr. McCamley responded that the council has not made progress in Mora since January 1.

The council attempts to involve legislators, but sometimes they are not responsive. Representative Nunez noted that he was one of the regional board members and would like to serve again. He added that the board used to meet all over the state. Mr. McCamley responded that the council tried meeting all over the state, but had problems obtaining a quorum. The council now meets in Albuquerque, which is better. Representative Foley asked how the council members are selected. Mr. McCamley responded that the goal is to find representatives from a variety of communities. He also welcomed any suggested names since seven council positions would become available in the near future.

NEW MEXICO RECYCLING COALITION

Regina Wheeler, director of Los Alamos County Solid Waste and co-chair of the New Mexico Recycling Coalition, gave a presentation on behalf on the coalition. The coalition supports adoption of the New Mexico Recycling and Illegal Dumping Act, which was

considered but failed to pass during the 2005 legislative session. The coalition also supports increasing the focus on economic development through recycling and a 10 percent tax credit for the purchase of recycling equipment. Senator Leavell inquired about the use of used tires in the production of asphalt. He noted that the tires add 20 percent to the cost of the asphalt, but if using the tires produces a better quality product, the state should look into it. Ms. Wheeler added that \$.50 goes to the Tire Recycling Fund and it would be beneficial if a private company partners with a public entity since tires are not a priority commodity. Representative Ruiz added that Secretary of Transportation Faught was asked about the use of rubberized asphalt and stated that, in the New Mexico climate, the product does not hold up as well. Senator Altamirano added that he remembered eight years ago when Senator Roman Maes had legislation to allow the Department of Transportation to recycle tires, but the program only lasted one year since the product did not adapt well to New Mexico roads. He thinks the concept might be worth revisiting.

Ms. Wheeler pointed out most states recycle 25 to 45 percent of their waste. New Mexico recycles nine percent. Representative Hobbs questioned the request for a tax credit and the potential financial advantage to the residents and taxpayers of New Mexico. Ms. Wheeler responded that Los Alamos County spends \$30.00 per ton to bury solid waste. The county tried to find a landfill site in northern New Mexico for 10 years. Now, waste is being hauled to Rio Rancho. If that site closes, Los Alamos County will have to haul its waste to Los Lunas. With the price of gas and the hauling distance, the cost is actually \$60.00 per ton. By crushing concrete, Los Alamos County makes \$10.00 per ton. There are huge economic advantages, especially small, local ones. Due to the Chinese market, white paper and metal prices are going through the roof. Scrap prices for metal have tripled. Representative Hobbs questioned whether Ms. Wheeler could demonstrate any financial advantage. Ms. Wheeler responded that she could since Los Alamos County pays \$30.00 per ton for solid waste disposal and the residents do not have to pay for disposal of solid waste that is recycled. Recycling reduces the price of managing a community's waste. Representative Hobbs stated that although people complain about separating their recycling, can they get a financial advantage? Ms. Wheeler responded that the solid waste management plans of the Department of Environment focus on this. The municipalities manage that cost. Representative Campos stated that Santa Rosa is going through the process of recycling. Representative Hamilton asked about recycling in small communities. She noted that the Grant County area has recycling, but that it does not include glass, cardboard or plastic; it has many of those products but no market for them. It is a tremendous problem to find companies that will take the recyclables and do something with them. Ms. Wheeler pointed out that solving this problem is exactly what the proposed bill is intended to do.

Senator Griego commended Los Alamos County for establishing a good recycling program and that he had carried the bill in the senate. He criticized the restrictions in the rules and regulations established by the Department of Environment. Small communities and businesses have limitations, so it is important to find out what is feasible and equitable for them. If Department of Environment establishes a program, the program can be too restrictive. Ms. Wheeler acknowledged that the department is listening and has a brand new draft set of regulations on the table that may be adopted in December and take effect in early 2006. These draft regulations remove permitting requirements from recycling businesses and composting, making these activities easier.

Representative Garcia asked about computer waste. Ms. Wheeler responded that the coalition is working on that area. There are toxic chemicals involved, as well as valuable metals. Some communities have come together and the coalition will have legislation to address that, since proposing a blueprint for small and large communities can help them address this problem. Representative Garcia noted that Senator Feldman had sponsored legislation on this issue one year and that she had sponsored the bill last year. Ms. Wheeler suggested that state legislation might encourage a New Mexico business to start processing electronic waste. The only company currently doing so is located in Oklahoma. Senator Harden asked if the coalition web site includes a list of recycling businesses, to which Ms. Wheeler responded that the web site includes all New Mexico businesses involved in recycling. Senator Harden asked about cardboard recycling. Ms. Wheeler stated that there is a great market for it in Durango. Los Alamos County receives \$80.00 per ton, even if it picks it up. Senator Harden observed that restaurants are the biggest single user of cardboard and suggested that the coalition might forge a strategic alliance with the New Mexico Restaurant Association. Ms. Wheeler noted that grocery stores like Smiths bale cardboard and the proposed tax credit would support a company that wants to buy a baler. Cardboard boxes are discarded into dumpsters, which cities have to dispose of and charge an extra \$40.00. Senator Harden also asked about numbers from the other states. Ms. Wheeler reiterated that most states recycle 25 to 40 percent and New Mexico recycles nine percent. Some states, such as Ohio, tax landfills an extra surcharge to fund recycling programs, but this approach is not popular; her constituents did not like it. Other states mandate recycling. Utah does better than New Mexico and has a state-level board that looks at the plan every three years, so it is more actively involved in management of the problem. Other places have markets for recycling materials. New Mexico's nearest market is El Paso. Recycled glass has to go to Denver. Los Alamos County has curbside recycling. The material goes to a facility where it is sorted, baled and sold. In rural communities, dropoff recycling is common. Materials are segregated at home. Santa Fe County has bins and the materials are sold to people who want to buy them.

CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION

Commissioner Carl Turner, a former member of the legislature (1959-1960), represented the Cumbres and Toltec Scenic Railroad Commission. Senator Griego asked if Colorado is still involved in the railroad. Mr. Turner acknowledged that Colorado does not contribute to any large degree. New Mexico has contributed over \$1 million, while Colorado may have contributed \$100,000. He predicted that the Colorado portion will be for sale or lease to New Mexico. Senator Griego asked if the restaurant on the Colorado side pays any money to New Mexico. Mr. Turner responded that the restaurant had gone bankrupt. The railroad built a restaurant halfway up and, when a ticket is purchased, the cost includes lunch and a bus ride back. The restaurant is managed on a contract of \$10,000 per month. The commission maintains the tracks and operation in Colorado. The cost is paid by the train tickets. Revenue is up and there are now three engines. In 2006, there will be four engines. The commission is able to pay for the cost of running the train with tickets. The commission cannot now afford rebuilding of the engines and track, but eventually will be able to do so. The railroad is the only one in the world that builds a narrow gauge passenger car from scrap. The train furnishes employment for 100 people during the season. Mr. Turner added that the train is the only thing that keeps Chama alive.

Senator Altamirano observed that with so many programs, some consolidation may be needed. He suggested talking to the governor about a study on ways in which these programs can be consolidated.

The committee adjourned at 3:45 p.m.