

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

**September 12-13, 2013
Cope Learning Center, Hubbard Museum of the American West
Ruidoso Downs, New Mexico**

The fourth meeting of the Economic and Rural Development Committee (ERDC) was called to order at 9:45 a.m. by Representative Debbie A. Rodella, vice chair, on Thursday, September 12, 2013, at the Cope Learning Center, Hubbard Museum of the American West in Ruidoso Downs.

Present

Sen. Howie C. Morales, Chair
Rep. Debbie A. Rodella, Vice Chair
Rep. Ernest H. Chavez
Rep. Nora Espinoza
Rep. Mary Helen Garcia (Sept. 12)
Sen. Ron Griggs
Rep. Yvette Herrell
Sen. Pat Woods

Advisory Members

Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. Georgene Louis
Sen. Mary Kay Papen (Sept. 12)
Sen. John Pinto
Rep. William "Bill" R. Rehm
Rep. Patricia Roybal Caballero

Guest Legislators

Rep. Phillip M. Archuleta (Sept. 12)
Sen. William F. Burt (Sept. 12)
Rep. Nathan "Nate" Cote (Sept. 12)
Rep. Kelly K. Fajardo
Sen. Cisco McSorley (Sept. 12)
Rep. Dennis J. Roch (Sept. 13)

Absent

Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Sen. Phil A. Griego
Rep. Dianne Miller Hamilton
Sen. Richard C. Martinez
Sen. Michael Padilla

Rep. Zachary J. Cook
Rep. Sandra D. Jeff
Sen. Timothy M. Keller
Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Rep. James Roger Madalena
Sen. Mark Moores
Rep. Nick L. Salazar
Rep. James E. Smith
Rep. Thomas C. Taylor
Rep. Monica Youngblood

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

Staff

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)

Tessa Ryan, Staff Attorney, LCS

Branden M. Ibarra, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all the handouts are in the meeting file.

Thursday, September 12

Welcome and Introductions

Representative Rodella welcomed the committee and members of the audience and asked members of the committee and staff to introduce themselves.

Welcoming Remarks

Gary L. Williams, mayor, Ruidoso Downs, welcomed the ERDC to the Cope Learning Center and highlighted area attractions for the committee.

Clayton Alred, president, Eastern New Mexico University at Ruidoso (ENMUR), reinforced the importance of two-year academic institutions and the vital role they will play in the economic recovery of the state. The ENMUR campus has 1,000 students and has implemented a successful dual-credit program. It is the youngest two-year institution in the state. Dr. Alred emphasized that the school's age and size are not barriers to innovation. The school's cyber security program is certified by the United States Department of Homeland Security. It also offers a forest and habitat management program certified by the United States Forest Service. The school's graduates become high-paid professionals who, in turn, pay state income taxes. The state is experiencing returns on the investments made in these schools.

New Mexico's Economic Development Strategy: The Jobs Council

Mark Lautman, director, Lautman Economic Architecture, LLC, and consultant to the Jobs Council, presented an update on the work of the Jobs Council. The Jobs Council includes both legislators and private sector members, and the council's primary goal is to help create an economic development and job-creation blueprint for the state. The council is following a five-step process that includes the following.

Step 1: The Process

This step includes consideration of the framework of the economic development plan being considered by the council. The council agreed to definitions and topics that would be used during the council's work. The council reached consensus on the process to be followed and on

economic development-related definitions to be used in the council's process. Mr. Lautman explained that the Jobs Council process is not an attempt to transform the state's economy but, rather, an attempt to make a plan for how the state's economy might recover to 2007 employment levels.

Step 2: Calculus

This step of the process includes the group's calculation of how many economic base jobs the state actually needs to create over the next 10 years in order to recover to the level of economic health seen in 2007.

Step 3: Taxonomy

To answer the question posed in Step 2, economic developers and industry experts from across the state convened at the Jobs Council meeting and deliberated on how many economic base jobs could be created in each economic sector. The group also considered the factors of production that could affect job creation. Those factors could include capital, equity, infrastructure and residential and commercial construction. Mr. Lautman stressed that the state's lack of adequate infrastructure in rural and frontier communities was identified by industry experts and the Jobs Council as an important barrier to economic development and job creation.

Mr. Lautman explained an economic development formula guiding the council: $E > P$, where E = economy and P = population. When the economy is growing faster than the population, there is more capital that can be invested into economic development to improve a community. The opposite effect occurs when the economy is growing more slowly than the population, which results in lower sustainability and economic growth. The council will have to consider how many people will be living in New Mexico in the next decade.

Mr. Lautman explained the definition of "economic base jobs" used in the council's work. An economic base job is one for which the product or service offered in connection with a job is consumed or purchased using out-of-state funds.

Questions

In response to a question about economic base jobs, Mr. Lautman stated that if a worker or handyman provides services that are consumed outside of the state, then that job would be considered an economic base job.

Another committee member asked Mr. Lautman to explain the relationship between the growth of economic base jobs growth and economic growth. Mr. Lautman stated that for every economic base job that is lost, two service jobs will be lost. The loss of economic and service-sector jobs leads to the decline in both the production and consumption of products within the state, which leads to economic recession or even depression.

New Mexico's Economic Development Strategy: New Mexico Association of Regional

Councils

Hubert H. Quintana, president, New Mexico Association of Regional Councils (NMARC), provided the committee with background information on the NMARC. An executive order established the Council of Governments (COG), with a mission of working with local governments on economic concerns. COG meetings are held monthly, and member governments pay a fee to be part of the COG. The COG is divided into seven COG districts, each of which faces distinct economic obstacles and barriers. Each COG district has a rural economic development committee, which works on issues facing rural communities.

Mr. Quintana stressed that the state should have a single economic development plan and that the NMARC recommends the state establish a uniform "economic development template" that could be applied and used by each of the COG districts. The Economic Development Department (EDD), the New Mexico Association of Counties, the Association of Commerce and Industry of New Mexico and New Mexico State University (NMSU) are all contributing to assist with the development of such a template. With guidance from the State of Florida, New Mexico has established an economic development program utilizing "five keys", and the program works to identify and address the economic needs of the state.

Mr. Quintana and his associates and co-presenters, Priscilla C. Lucero, executive director of the Southwest New Mexico COG, and Jeff Kiely, executive director of the Northwest New Mexico COG, unveiled a new and exciting piece of technology being developed to help track and identify various economic and rural development projects across the state. The tool, called "The Portal", is an interactive web site that would allow users, including policymakers, to access information about economic development projects throughout the state. The web site was designed to be a virtual tour of the state's economic development and would include the current status and progress of projects in every COG district.

The first phase of project information being loaded into The Portal relates to transportation and senior programs. Ultimately, with additional work and funds, The Portal could be a useful tool for the public and legislators to identify how economic development funds are used and where in the state economic development is needed. Mr. Quintana stated that The Portal could bring sense, direction and cohesiveness to the state's economic development programs.

The presenters provided a virtual tour of The Portal web site, which is not yet live, for the committee.

Questions

A committee member asked when The Portal web site would be live and accessible to the public. Mr. Quintana stated that the primary obstacle to making The Portal fully operational is funding, but he speculated that in the near future, The Portal would be partially completed and accessible to the public.

Another member asked whether input from local government and from the public and private sectors has been taken into account in the creation of a statewide economic development

plan. Mr. Quintana stated that local governments' and the private sector's input would be accounted for in creation of the statewide template. In addition, public hearings would be held in each of the seven COG districts to gather further critical information.

In response to a question about who would administer or have authority to enter data into The Portal, Mr. Quintana stated that the COG would be the steward of the web site.

A member asked whether information about capital outlay projects would be accessible on The Portal and Mr. Quintana responded that it would be included on the web site.

Motion

Upon a motion by Representative Garcia, seconded by Representative Espinoza, the committee unanimously approved the minutes from the committee's August 5-6, 2013 meeting.

New Mexico's Economic Development Strategy: EDD

Jon Barela, secretary of economic development, provided a status update on the EDD's five-year strategic plan. The EDD has worked collaboratively with the COG districts to design an economic development template for the entire state. According to macroeconomic indicators and a recent calculation by the governor's Economic Development Commission, the state is experiencing a 1.6% increase in job growth. Secretary Barela indicated that the worst of the economic recession is over and that the state is on the road to economic recovery.

Secretary Barela stated that the construction industry, which experienced a devastating decline in the years following the onset of the recession, has finally started to recover. Issuance of residential and commercial construction permits is on the rise, which is a clear indicator of economic growth and potential recovery. He informed the committee of the recent construction of a hotel in Santa Teresa as well as construction of new residences in the area. The EDD is also implementing an international economic master plan in collaboration with the department's Mexican counterpart. Infrastructure and capital outlay projects in the southern part of the state have resulted in record-setting exports and manufacturing projects. Secretary Barela informed the committee that the state remains a leader in export growth. An additional 218,000 jobs have been created in the state due, in part, to international trade and the state's job training incentive program (JTIP).

Regarding the MainStreet program, Secretary Barela noted that an increase in private sector investments has contributed to the success of the program. The Pueblo of Zuni is the first Native American entity to participate in the program. Some of the projects that are implemented through the program are related to renovation of historic movie houses and theater districts, which are architectural gems of rural and frontier communities. Successful completion of those projects can serve as anchors for development in communities and contribute to a higher quality of life for residents.

Secretary Barela described the EDD's five areas of focus. First, the EDD looks to establish the state as a national leader in the area of water research and development. The state currently

employs 80 scientists dedicated to water research and development, which has made the state a water research innovation center. Additional resources and contributions by the state's national laboratories, NMSU and public and private grants have provided incentives for water science and technology companies. In addition, current forest management projects have been linked to the proper recharging of aquifers and often have been, but should not be, overlooked as important water conservation measures.

Second, the EDD aims to create sustainable rural communities through economic development efforts. This goal includes development of plans for the sale and distribution of fresh produce grown by local farmers.

The third focal point is the creation of a small business resource center. Secretary Barela described the center as a "one-stop shop" for businesses to receive the assistance and resources to help ensure the health of their businesses.

Fourth, the EDD aims to support the continued success and growth of the New Mexico Borderplex in Santa Teresa.

Finally, the EDD wants to invest in technology programs within the state to help generate high-paying technology-based jobs.

Secretary Barela suggested that New Mexico should be looking for a way to generate and retain technological innovations and advancements that originate within the state. Currently, production and other business related to technologies developed in the state are happening outside New Mexico.

Questions

A member asked Secretary Barela to discuss the rail bypass project. In response, the secretary expressed great enthusiasm for the project. The current rails run from Mexico City, Mexico, to El Paso, Texas. It is possible that Santa Teresa could be the center of the easternmost land grid and a gateway to commerce. That gateway is currently located in El Paso, but if the state constructs bridges over the Rio Grande that can support rail and heavy freight transportation, the state could benefit even more from international imports and exports. The project's completion is estimated to be within the next three years. The member asked whether the project would be connected with Ciudad Juarez, Mexico. Secretary Barela said that it would and that the Mexican government is interested in the decongestion of heavy traffic flow from Juarez that could result from construction of the rail bypass.

Another member expressed concern that the state has implemented numerous incentive programs to encourage large corporations to locate in New Mexico to spur job creation and economic development. The member asked whether the EDD has identified a way to support the state's smallest businesses. Secretary Barela stated that the JTIP was designed to benefit small businesses and larger companies. The member also asked whether there is a way that the state could contract private companies to engage in forest clearing to assist with aquifer rehabilitation.

The secretary responded that new forest management policies could be implemented to foster potential job creation and other economic development benefits.

Another member informed the committee that the Mescalero Apache Tribe could be used as a model for forest management because the tribe's approach has resulted in healthy forests and a healthy watershed. The forests are dense, and the state needs to intervene in order to sustain the forest habitat. The secretary agreed that the tribe's forest management has been very successful.

A member noted that New Mexico is the only state with two national laboratories and a substantial potable water supply, perhaps allowing the state to become the hub and leader in water research connecting the two entities. Currently, the University of New Mexico, NMSU and the national laboratories send delegates as envoys to foreign countries, particularly those producing oil, that are requesting water research projects. The member expressed optimism that those projects and their benefits could help the state's economy eventually.

A member asked whether the many jobs at the Borderplex are being filled by New Mexicans or Texans. Secretary Barela stated that the Borderplex is hiring both New Mexicans and Texans, but in any event, the Borderplex employees are paying taxes to the state and are spending money in the state. The member also expressed concern regarding employment at Spaceport America and cited recent news of a spaceport job fair hosted in California. Secretary Barela clarified that Virgin Galactic was the company hosting the job fair, but he added that he would like to see a commitment to hiring New Mexico residents for Spaceport America positions.

A member asked whether the national desalination research facility in Alamogordo would factor into the EDD's five-year economic development plan. Secretary Barela stated that efforts in connection with the desalination plant need to move forward because it is very important to the state. He added that Israel has engaged in this particular research endeavor, which has produced benefits for New Mexico.

Renewable Energy Transmission: The SunZia Project

David Getts, general manager, SouthWestern Power Group, provided information about the potential economic development benefits for southern New Mexico that SunZia could provide. The energy transmission project has been time consuming, and there has been a lack of consensus among SunZia, the White Sands Missile Range (WSMR), the U.S. Department of Defense (DOD) and the U.S. Bureau of Land Management (BLM) about certain aspects of the project, including location of the line. A portion of the SunZia transmission line is alleged to interfere with a testing zone at WSMR. The DOD believes the location of the transmission line would impede certain test simulations conducted within that zone. The BLM will issue a decision regarding the location of the line. Mr. Getts stated that SunZia performed analyses regarding the best locations for the line, and WSMR previously agreed to the current proposed location.

A committee member asked Dan Hicks, chief of staff, WSMR, who was in the audience, to address the committee and provide information about the project from WSMR's perspective. Mr.

Hicks delivered a visual presentation showing why WSMR and the DOD believe the transmission line will interfere with testing. Mr. Hicks stated that he understands the importance of the transmission line project and its potential benefits to the state; however, he stated that there are alternative routes that could be used that would not be objectionable. He reiterated WSMR's position that the current proposed location for the line would interfere with an area that is vital to national defense. The area, he stated, includes unique airspace and a mountain range that are used for low flight test simulations.

Questions

Several members of the committee expressed great concern with the ongoing dispute among the project's interested parties. One member asked Mr. Getts if the governors of New Mexico and Arizona support the project. Secretary Barela stated that Governor Susana Martinez supports the construction of the transmission line so long as the line does not disrupt military activity.

Mr. Hicks stated that the DOD objects to the line's location in part because only WSMR is capable of conducting certain missile tests. He added that the installation of the lines would create a cluttered environment that would make low test flights impossible to achieve. An alternative route along Highway 60, which has existing utility lines installed, would be the most appropriate route, he stated.

A member asked Mr. Getts why SunZia is opposed to relocating the proposed line. Mr. Getts stated SunZia had been very accommodating regarding transmission line location proposals. Some of the proposals are not feasible for SunZia, which believes that WSMR has not presented scientific evidence that the proposed location would cause any obstruction to military missions or tests. He noted that the line's location has already been moved to accommodate military needs, and further movement would cause significant expenses to be incurred.

A member stated that the state could not afford to lose the thousands of jobs provided by WSMR in exchange for the estimated 500 jobs that might result from the transmission line project. Mr. Getts stated that SunZia cannot analyze any actual potential impact on WSMR without further facts or evidence of the potential consequences of the project.

Mr. Getts stated that the BLM engages military experts to judge potential impacts of projects like SunZia.

Value-Added Agriculture and Economic Development in New Mexico

Anthony J. Parra, deputy director/secretary, New Mexico Department of Agriculture (NMDA), and David Lucero, director, Marketing and Development Division, NMDA, presented information about two of the NMDA's successful programs: the New Mexico Country Store and the New Mexico green chile promotion program.

The New Mexico Country Store opened its doors in 1993. The purpose of the store is to highlight and promote specialty food industries within the state. New Mexico products are sold

in the store, and sampling stations are set up in the store to promote the products. Producers benefit from the opportunity to showcase their products to visitors of the store and at the New Mexico State Fair. An average of 90 New Mexico companies have participated in the store every year, and those companies have featured approximately 500 to 600 products. In addition to sales through the store, producers have also found opportunities to place their products for sale in local markets and national retail grocery stores.

The New Mexico green chile promotion program was established in 2003 and is designed to market New Mexico green chile outside of the state and to help generate higher returns for New Mexico's chile growers. The program has resulted in significant demand for New Mexico chile in California. Californians, like New Mexicans, have found the aroma of roasting green chile irresistible. The program has expanded, and New Mexico chile is now sold in more than 2,200 stores in California, New York, Florida and Canada. An estimated 650 semitrailer truckloads of fresh green chile will be sold and consumed outside of New Mexico in 2013. The estimated retail value of that chile is approximated at \$21 million.

The NMDA representatives also spoke about the New Mexico dairy export initiative. The state's dairy industry is the state's second-largest agricultural industry, following beef cattle production. Recently, consumers from 11 foreign nations toured New Mexico dairy facilities, and orders were placed for dairy products to be exported to those nations.

Questions

A member asked how many acres of land were included in the New Mexico green chile promotion program and what percentage of that acreage, if any, is hand harvested. Mr. Lucero responded that an estimated 9,000 acres of chile was involved in the program and that an estimated 90% of that yield was mechanically harvested. Another member asked whether the New Mexico green chile promotion program included a focus on chile producers outside of Dona Ana and Luna counties. Mr. Lucero stated that the NMDA serves all of the state's producers, and he noted that small farmers are encouraged to market their products using the NMDA's programs as well.

Recess

The committee recessed for the day at 6:00 p.m.

Friday, September 13

Call to Order

Senator Morales reconvened the meeting at 9:00 a.m.

Local Agriculture and Community Economic Development

Pam Roy, executive director, Farm to Table New Mexico, and Krysten Aguilar, food planning and policy coordinator, La Semilla Food Center, gave a presentation to the committee about the work of their organizations, and they provided samples of produce grown through their

farm operations. Ms. Roy discussed the importance of the state's fresh fruit and vegetable producers on the economy of the state. Farm to Table New Mexico receives contributions from both the public and private sectors. The primary goal of the program is to maintain and retain consumption of products and to ensure job growth for New Mexico's farmers and ranchers, which comprise the fourth-largest economic sector in the state. Ninety-seven percent of the food produced in the state is exported out of New Mexico, and the program aims for more of the state's produce to be consumed within the state.

The New Mexico farm to school program has also been implemented with a goal of providing New Mexico-grown fresh produce to schools in the state. To date, the program has fed 240,765 children across 60 public school districts in the state. The program has partnered with the Food and Nutrition Services Bureau of the Human Services Department to deliver food to the schools.

Ms. Aguilar spoke about the work of La Semilla Food Center, which is located in Anthony, New Mexico. La Semilla facilitates a local 14-acre farm plot that was donated by a local community member. La Semilla employs local youths and, using the donated plot, teaches them about agriculture, nutrition and agricultural economics. The youths grow, harvest and distribute produce. They have installed a drip irrigation system to increase efficiency and to maximize productivity of the land while conserving the limited water supply.

Ms. Roy stated that these programs allow local farmers to gain important training in addition to technical assistance. The program also implements a labeling system, which includes placement of a sticker label that is signed by the farmer on every package of produce that is distributed by the operations. The label is placed on a box of product, and it provides a means for tracking all of the parties involved with the product, and it creates more uniformity in the packaging and shipping processes.

Questions

A member asked whether New Mexico youths are being educated on the fact that farming and ranching can be sustainable careers. Ms. Roy stated that there is a new wave of youths becoming interested in agriculture and that younger generations of New Mexicans are engaging in both farming and ranching, especially with the help of organizations like La Semilla. Ms. Aguilar mentioned that the youths involved with La Semilla are experiencing good returns on the produce that they are selling at local markets. She said that this leads to greater enthusiasm among the youths about potential careers in farming and ranching and in agricultural engagement.

A member asked whether there are any programs that help distribute local produce to the state's correctional facilities and if gardening and farming by inmates has been instituted. The member also asked whether there are any policy issues that might need to be addressed around farming and correctional institutions. Ms. Roy stated that, historically, there were horticulture programs that had been implemented within correctional facilities across the state. She noted that the institutions have land and water rights.

Another member of the committee asked if students who participate in programs such as La Semilla would receive school credit toward graduation. Ms. Aguilar responded that although students who are involved within the program do not receive school credit, they are being compensated for their work through the organization's grant funding.

A member noted that community and regional planning for urban farming programs are facing difficult challenges in marketing their products and asked whether there is any technical assistance that can be provided to them to address this issue. Ms. Aguilar stated that the City of Las Cruces and Dona Ana County both provide technical assistance to urban and regional planners that focuses on gardening and agricultural production in urban areas. The member followed up by stating that perhaps these city or county ordinances could serve as models for other cities and counties across the state to address these issues.

Broadband Availability in New Mexico

Gar Clarke, manager, New Mexico Broadband Working Group, stated that the future of economic development in the state would rely heavily on broadband connections. Mr. Clarke stressed that the agriculture industry in the state today is transitioning to technology by implementing satellite imagery, mechanized irrigation systems and computerized farm equipment. With New Mexico being such a rural state, broadband networks and connections would allow it to engage more easily in economic development. A broadband executive committee was established to include various members representing different industries, such as health, education and economic development. Mr. Clarke stressed to the committee that the state cannot attract businesses without having broadband connections or networks. If public buildings, such as libraries, were connected to one database, it would make accessibility more efficient for residents.

Questions

A member asked Mr. Clarke how many broadband networks are currently in use across the state. Mr. Clarke responded that there are 105 networks in operation. Another member asked whether the Public Regulation Commission (PRC) is aware of this broadband initiative on which Mr. Clarke is working. He replied that the PRC is aware of the project.

New Mexico Aviation Aerospace Association and the Education Alliance

Bill McMillan, president, New Mexico Aviation Aerospace Association (NMAAA), informed the committee that the NMAAA is working collaboratively with the Veterans' Services Department on promoting and emphasizing the importance and significance of aviation and aerospace in the state. Many aerospace opportunities exist in the state, and in many cases, those opportunities bring employment to veterans. Although Montana is commonly referred to as "Big Sky Country", the New Mexico sky is just as big, and the state's air space presents many opportunities for aviation companies to operate here. There are many foreign countries that are considering investing in New Mexico's potential aviation industry. The industry itself is a major contributor to the state's economy, with an estimated 48,800 related jobs and a \$1.3 billion payroll. With New Mexico being known for its many natural resources and open skies, it makes it very attractive for major companies to relocate here and begin business operations, which

would offer many opportunities for economic development in underserved and rural areas.

Questions

A committee member suggested that Mr. McMillan contact the EDD to sponsor the program in order to offer extension services and notifications into Indian country. Mr. McMillan stated that the EDD's participation is going to be crucial for the endorsement of this endeavor at the state level. Also, with aviation and aerospace being the fourth- or fifth-largest industry in the state, it creates economic opportunities for other aviation-based companies to relocate to New Mexico.

Adjournment

There being no further business before the committee, the fourth meeting of the ERDC for the 2013 interim adjourned at 11:45 a.m.