MINUTES
of the
ECONOMIC AND RURAL DEVELOPMENT AND TELECOMMUNICATIONS COMMITTEE
September 23-24, 2004
Cibola County Convention Center
Grants

The meeting of the Economic and Rural Development and Telecommunications Committee was called to order as a special subcommittee by Representative Patricia A. Lundstrom at 10:36 a.m. on September 23, 2004.

PRESENT
Rep. Jose A. Campos (9/23)
Rep. Patricia A. Lundstrom
Rep. Andy Nunez
Sen. William E. Sharer (9/23)

ABSENT
Rep. Mary Helen Garcia, chair
Rep. Richard Cheney
Rep. Daniel R. Foley
Sen. Mary Jane M. Garcia
Sen. Phil A. Griego
Sen. Clinton D. Harden, Jr.
Sen. Carroll H. Leavell
Sen. John Pinto
Rep. Richard D. Vigil

Advisory Members
Rep. Dianne Miller Hamilton
Rep. Pauline J. Ponce
Rep. Debbie A. Rodella
Rep. Nick L. Salazar
Sen. Leonard Tsosie

Sen. Ben D. Altamirano
Sen. Dianna J. Duran
Rep. John A. Heaton
Rep. Ted Hobbs
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Raymond Kysar
Rep. Harriet Ruiz

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

Guest Legislators
Sen. Joseph A. Fidel
Rep. George J. Hanosh
Rep. W. Ken Martinez

Staff
Rachel Ray
Larry Matlock

<u>Thursday, September 23</u>

Representative Lundstrom recognized people in attendance and invited them to introduce themselves.

NORTHWEST NEW MEXICO ECONOMIC STATUS

Jeff Keily, Northwest New Mexico Council of Governments, said that the region has a diverse and robust economy now, but has experienced a boom-and-bust economy due to the fortunes of the mining industry. He said that Gallup and Farmington rank high for the western states in per capita income and gross receipts tax revenues, but low on the scale for household income and employment rates. He said that one has to be wary of aggregation of statistics and data. A bird's eye view would say the region is not worse off than anywhere else in New Mexico, he said, but you go a few miles from the urban centers, and unemployment jumps to 50 percent and 70 percent. He said the same anomalies occur in housing — there is a high level of poverty away from the commercial centers. He explained that the Northwest Council of Governments focuses on how to address those structural issues.

In terms of economic development, he said the governor's emphasis is on small business incubators, one of which is in Farmington. He also referred to one in Representative Salazar's district. He suggested that legislators might want to develop a strategy to encourage incubators in their districts. In other sectors of the country where small business already thrives, incubators are not needed but if the support systems do not exist, they have to be built. These incubators should be uniquely customized for the communities they serve, he added.

Community encouragement is the key to the success of many businesses, he said. Many businesses would not have settled here if it were not for the community. If one can balance investment among giving money to the groups that are working, then one can invest in good planning work at low levels and regional levels and then invest in strategic investment. The educational organizations in each community can tell what is strategic. He explained that his office has been working with the state and the Navajo Nation. They have had a hard time getting matching funds and hammering out agreements.

He concluded his remarks by saying the Navajo Nation is in the midst of major capital outlay reform. It is working with Pacific Western Technologies to track its projects.

The committee asked questions and made comments about:

- New Mexico Finance Authority plans to rationalize capital outlay by imposing a process of planning to ensure that projects are ready, funds identified and the project is realistic;
- whether the administration is "sweeping" money appropriated for certain projects into financing other projects than the ones identified in the legislation;
- the potential for the governor to take 50 percent of the total capital outlay expenditures;
- the October 15 deadline for applying for capital outlay financing;
- assertions of unfairness of the proposed changes to capital outlay;

- jurisdictional responsibility and accountability for managing projects and getting the right information to the legislature and the governor;
- how the governor needs to present his plan of capital outlay to the appropriation committees;
- projects getting stalled because state agencies drag their feet or they do not have enough help;
- legislators being criticized because nothing is moving;
- Wal-Mart's tax breaks, rate of return and the wages of its employees;
- criticism of and proposal to do away with the education department;
- balancing rural and urban education to help smooth the boom-and-bust cycle;
- subsidization of Wal-Mart's employee health care;
- vetoes of capital appropriations by the governor and the resulting harm to communities;
- the legislature's allocation of one-third of capital outlay money and the need to maintain control;
- reversion of capital appropriations when projects cannot be fully financed; and
- capital project prioritization.

INDIVIDUAL DEVELOPMENT ACCOUNTS

Ernesto Ramos, state program director for AmeriCorp Vista, and Mike Case, executive director for the Northwest New Mexico Community Development Corporation, told the committee that there were over 1,000 participants in an individual development account between Cupertino and San Mateo (near San Francisco). Mr. Case said that since the war on poverty, people have tried to find a way to extend a helping hand or handouts to those in poverty. It is not an empowerment process, it is a dependency process. Recipients have been penalized if they come back, so they get stuck in a loop of poverty. The purpose of an individual development account is to draw on funds for purchasing a home, starting a business or for educational goals. This kind of program has a multi-generational rippling effect. These programs work best when partnered with other programs, he said.

Mr. Ramos said he was present to confirm support for 10 VISTA volunteers to help with this initiative. It can help hundreds of low-income families throughout the state. He said that rural areas seldom get the resources they need from the feds to help their lives; however, the assignment of these volunteers will result in obtaining some resources. Mr. Ramos said he is delighted to support this program. Mary Lundstrom, who is Representative Lundstrom's mom, will be the coordinator for the program.

Questions and discussion by the committee addressed:

- the need for a bill next session;
- a book on financial literacy circulated among the members;
- fixed or variable rates for individual development accounts;
- predatory lending;
- BOOST (business ownership opportunities in support of tourism);
- incubator without walls structure;

- tourism market access;
- event promotion access;
- REez Road Tours;
- downtown retail services co-location project;
- Native Hands;
- long-term training programs;
- Entrepreneur Club Advisory Team role; and
- legislation to look at benchmarks dealing with poverty issues.

Senator Sharer asked for recognition to discuss predatory lending and said that Oklahoma passed a bill several years ago that stopped predatory lenders without harming the "legitimate" lenders. He said he would like for the legislature to assess whether New Mexico could benefit from the same approach.

MCKINLEY COUNTY AND NAVAJO NATION CHAPTERS ECONOMIC DEVELOPMENT

Ernest Becenti, Jr., county commissioner for McKinley County, described the county as very rural. He said that McKinley County has developed a comprehensive plan that entails all of the information that covers the city of Gallup and rural communities. A few Navajo chapter houses have been selected to be part of a major effort. The Navajo Nation is entirely responsible to those individuals, and the goal is to develop the total county to provide jobs. Road improvements will continue to be a significant portion of the dialogue.

Questions and comments from the committee included:

- the possibility to get matching funds from the county and the state for Navajo Nation capital projects;
- the community of Red Springs having 180 acres set aside for development; and
- a letter from the committee to UNM requesting its assistance using 100 search engines for funding sources.

MCKINLEY DEVELOPMENT FOUNDATION AND GALLUP CHAMBER OF COMMERCE

Herb Mosher, executive director of the McKinley Development Foundation, told the committee his organization has a short-range and long-range plan but has not gone too deeply into strategic planning. The foundation has had focus forums with the business community. Then he referred to Project ECHO, which lets doctors and pharmacists manage hepatitis C. He said $3 million was secured from UNM. One hundred thirty-two patients with hepatitis C were involved in a pilot program to get world-class expertise to people far from Albuquerque.

The discussion addressed:

- how Project ECHO is a great model for rural health care;
- replicating Project ECHO in Hatch, Silver City and statewide;
- a letter from the committee to Dr. Bill Heaton at UNM to replicate what is being done in Gallup;

- the need for the city and county to move beyond a love-hate relationship; and
- getting cars to stop for more than gas and food, promoting events and evaluating success in attracting more tourists.

GALLUP DEVELOPMENT CORPORATION

Mike Enfield, executive director, Gallup Development Commission, catalogued several initiatives of organizations such as the Red Rock Museum, the El Morro Theatre and a grant to purchase a building to use for a business incubator. In describing the incubator, he said that 80 percent of entrepreneurs starting a business on their own fail in the first five years. If that same person bought a franchise, they do not fail because franchises have an incubation system for those in their franchise system. They teach their franchise owners how to provide the product or service. They do not know how to manage the business of business. He said he has looked at other incubators, and Farmington is above other incubators. If the state could put together a small committee to look at the requirements and needs of rural New Mexico and figure out how to fund those things, it would be important. Most small towns in New Mexico are not going to get Ford Motor Company to open a plant, he said. They are going to have to rely on entrepreneurism. Incubation will be important for the state to maintain its rural culture. With incubation of small businesses to keep money rolling in that community, there would be a chance for survival.

Discussion among committee members included:

- a proposal by the Economic Development Department (EDD) to investigate incubators;
- how everything at the EDD is focusing on the I-25 corridor;
- dilemmas of small rural communities such as transportation, telecommunications and population;
- the language in a bill that requires a good portion of the money to go to rural New Mexico; and
- a rural incubator bill.

STATE INVESTMENT COUNCIL PROCEDURES

Phil Jesse, a consultant involved in rehabilitating a restaurant, The Plaza Café, in Gallup, said he wants to build two restaurants in Gallup and move forward in other rural communities, including Aztec and Bloomfield. He described the proposed business as an in-house kitchen shipping food out, employing 65 people full-time and 10 to 15 part-time employees. He said he looked for venture and startup capital. The State Investment Council is required by law to invest in New Mexico. It has never invested a dime, he said, and it does not care, he said. He testified that he sent out dozens of letters to the EDD and the State Investment Council to get information on the grant money available with limited success until Representative Lundstrom got involved. He said the responses from state agencies were very short or nonexistent. He testified that state agencies will not give any information on rejected businesses. He said that Deborah Gallegos, deputy state investment officer, told him that her office was willing to look at the proposal. However, after Representative Lundstrom's office sent the proposal, there was never any response. He said that Carol Selleck responded to Representative Lundstrom in January 2004 and he received a letter in November 2003 turning down the project, with no information on why it

was turned down. When Representative Lundstrom wrote a letter requesting information on why it was turned down, she was notified that:

- the recipient must have a majority of employees in New Mexico (Mr. Jesse lives in Gallup);
- it must meet a minimum threshold of jobs — a requirement not in the legislation passed; and
- a co-investment must be in writing and immediately verifiable — Global Strategies was interested in investing, but only if it could come up with additional capital.

Mr. Jesse asserted that the state sat on the fence for over a year and he could not get the state to look at his business proposals or his plan. He criticized the State Investment Council for exceeding its authority in making regulations as to whom it would consider for financing, such as 65 percent of the product has to be sold outside the state of New Mexico. Of the $300 million available, the council has invested around $40 million, he said. By making up these rules, the council has eliminated 95 percent of the businesses in New Mexico. He said that TCI cannot get funding in Carlsbad to build a building, so TCI is going to rent a building in Albuquerque. The council will not make a commitment for rural development, he testified.

Representative Lundstrom added that she did write, starting with a letter to the secretary asking for a review of all funding sources on December 10, 2003, and she has still received no answer.

Discussion among committee members included:

- having the State Investment Council staff provide rules and regulations and giving a presentation at the November meeting in Santa Fe; and
- legislation designating that a portion of the State Investment Council funds be designated for the rural areas.

The committee recessed at 4:24 p.m.

Friday, September 24

Representative Lundstrom invited the attendees to introduce themselves.

CIBOLA COUNTY COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

The committee heard that tourism is a key component of economic development prospects in Cibola County. Other important aspects include retiree infrastructure and workforce development, i.e., investing in human capital. Examples of continuing efforts include the Pueblo of Acoma's partnering to develop a business administration line of study at Acoma, which is the kind of training and educational support that fits this area. Other critical strategies are capital improvements such as curbs and sidewalks to help encourage people to move to Milan.

Dave Ulibarri, Cibola County manager, said that most roads interconnect with the reservation. The county is losing its tax base. There are only 200,000 acres generating property tax revenue. He said that other counties that have casinos should benefit from some of that

revenue going to the county's infrastructure. Cibola County needs help from the legislature. He testified that the Pueblo of Zuni has bought two ranches, big parcels of land that are going off the tax books because Indian land is exempt from property taxes. He said Representative Martinez introduced a bill to get some of that revenue back, but it died in committee.

Representative Salazar asked for recognition and said that the averaging of property tax revenue should be initiated by the counties. They are supposed to be looking out for the interests of all the counties. It would have to be a joint effort by the legislature, Representative Salazar suggested, because it is tough going before the tax committee; unless one is a member, one does not have any influence. He said the Municipal League and the Association of Counties have some influence and are trying to get more revenue from the state to replenish what has been lost. That is what happened when he went to bat for the city of Espanola, he said.

Discussion among committee members included:

- a constitutional amendment to open the state up to gambling;
- Pueblo of Jemez casino operation near Las Cruces;
- the saturation of any more casinos;
- the governor's plan for another tax cut benefit, which means services will be cut;
- the difficulty of getting bills through the tax committees;
- tax breaks for casinos;
- the need to change the Indian gaming compacts;
- the New Mexico Community Assistance Act;
- a bill to address funds going back to counties affected by casino land purchases; and
- McKinley schools and Zuni schools are the precedent for trying to get that.

Lawrence Sanchez, president of Cibola Communities Economic Development Foundation, said the foundation is going through reorganization at this time. It needs an executive director, he said.

Discussion among committee members included:

- a request for staff to ask UNM to provide a list of funding sources, which could help Cibola County's needs; and
- the casino revenue issue to be discussed by the Indian Affairs Committee.

James E. Covell, consultant to the village of Milan, told the committee that Milan wants to get people off the highway. Milan needs to find a motel company and another restaurant, probably a fast food, high-turnover, high-dollar facility. The goal is to increase the community's money, and attract some more retail establishments, such as a hardware store or movie theater, and improve the retail outlets. He referred to a piece of industrial property that has 800 acres and 800+ acre-feet of water. With these resources, he said, Milan should be able to attract substantial industry, especially because nobody else has that much water. However, the community needs an entity who will not waste it. He said the governor has the best economic development people he has seen in a long time. He encouraged the committee to support them. He further testified that the governor issued a challenge in his speech in Carlsbad regarding rural economic development.

Mr. Covell cited the plant in Carlsbad, CCI Medical, the operators of which say they cannot build the plant and cannot get financing. That is a problem, how to finance development.

Discussion among committee members included:

- individual development account legislation;
- predatory lending;
- the population of Milan;
- the cost of construction of buildings in Hatch because of concrete and lumber going to Iraq;
- a pool, community center and multi-purpose center; and
- a letter to Secretary Faught about the railroad crossing problem in Milan.

NEW MEXICO RURAL DEVELOPMENT RESPONSE COUNCIL

Renee Julien, executive director, New Mexico Rural Development Response Council (NMRDRC), told the committee that health and communication are important to growing communities. She listed a number of local initiatives around the state as examples of "grow your own" economic development strategies, including T or C's development of a hot water waterfall behind its museum and spa packages, and Cuba working on a small diameter wood industry. She talked about hooking up funders and communities and the work of the NMRDRC on a mapping project for the resources available by county/region. She said that with the communities on board right now, 330 new jobs could be generated. She said the NMRDRC plans to help expand the health clinic, which is one of the area's bigger employers with new wages of $2.6 million. The council finds it hard to keep going on grants. Most of its resources are dedicated to the small communities, and they have been a good investment, she testified. She asked the committee for support.

Discussion among committee members included:

- appropriation;
- how communities take part in the council's services;
- the need for something like this for the whole state; something that could be updated and follows the same format;
- rights of way on state roads for telecommunications and water;
- digital telephone towers;
- Wal-Mart;
- language barriers; and
- RDIC bill and perpetual right of way over state highways.

BUSINESS INCUBATORS

Marie Longserre, president and CEO, and Don Garcia, chairman, both of the Santa Fe Business Incubator, talked about the three-legged stool. She said business expansion and entrepreneurship are different for every community. Policies for business incubation need to be very flexible, where each community's strengths, desires and goals are reflected in the programs. The three components of business incubators are physical place, training workshops and building a community network and tying together those services.

Discussion among committee members included:

- the need for her group to work with the committee, Mike Case and Mike Enfield;
- making sure the legislature does not give its rulemaking authority away;
- the status of Roswell, Carlsbad, Clovis, Las Vegas, Las Cruces and Gallup incubators;
- where the money is going to go; and
- capital outlay versus operational funds.

LAGUNA INDUSTRIES

Chris Omni, president and CEO of Laguna Industries, told the committee that he was not there to ask for anything. He said that Laguna Industries is concerned about rights of ways, telecommunications and fiberoptic lines along state roads. He said the pueblo is using the test range, which is the old testing facility. Laguna Industries operates a radio frequency test range, which is not possible if the tribe cannot get fiberoptic lines from Qwest. He asked the legislature not to forget the tribes' ability to negotiate favorably. He said Laguna Industries brought $16 million worth of funds into that facility. It will be staffed with high-end technological jobs. It is a manufacturing facility that contributes between $28 million and $30 million per year. It is staffed at a stable, profitable level, and has over 200 workers. He said the company needs assistance in the educational process, especially in high technology training. Available educational resources cannot teach kids what they need to know to get those high-end positions. The business is in building satellite communications shelters for the Department of Defense. Its equipment is in Iraq. It is designing new equipment and as its business cycle increases, it will look at Grants to be its outsource potential. The Laguna community does not like the company to staff people and then lay them off. It has $16 million in material sales.

Discussion among committee members included:

- the research component of the company;
- signal communications arena;
- New Mexico Tech relations with the company; and
- NMSU-Grants capacity to meet training needs.

The committee adjourned at 12:15 p.m.