

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

September 28, 2009
Taos Convention Center
120 Civic Plaza Drive
Taos

September 29, 2009
Ohkay Owingeh Resort Hotel and Conference Center
Ballroom C/D
Espanola

The fourth meeting of the Economic and Rural Development Committee (ERD) was called to order by Senator Bernadette M. Sanchez, chair, at 10:10 a.m. on Monday, September 28, 2009 at the Taos Convention Center in Taos.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Andrew J. Barreras
Sen. Mark Boitano
Rep. Nora Espinoza
Sen. Mary Jane M. Garcia (9/29)
Rep. William J. Gray
Sen. Clinton D. Harden, Jr.
Sen. Timothy M. Keller
Rep. Patricia A. Lundstrom
Rep. Debbie A. Rodella

Advisory Members

Rep. Nathan P. Cote
Rep. John A. Heaton
Sen. Richard C. Martinez
Rep. Shirley A. Tyler
Sen. David Ulibarri
Rep. Richard D. Vigil (9/28)

Absent

Rep. Ernest H. Chavez
Rep. Dianne Miller Hamilton
Sen. Howie C. Morales
Sen. George K. Munoz
Sen. William E. Sharer

Sen. Rod Adair
Sen. Sue Wilson Beffort
Rep. Zachary J. Cook
Sen. Dianna J. Duran
Rep. Sandra D. Jeff
Sen. Carroll H. Leavell
Rep. James Roger Madalena
Rep. Antonio "Moe" Maestas
Rep. Rodolpho "Rudy" S. Martinez
Rep. Andy Nuñez
Rep. William "Bill" R. Rehm
Sen. John M. Sapien

Guest Legislator

Rep. Roberto "Bobby" J. Gonzales

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

Staff

Kate Ferlic
Sandy Mitchell
Aldis Philipbar

Guests

The guest list is in the original meeting file.

Monday, September 28

Representative Gonzales served as guest chair.

Welcome: Economic Development in Taos

Mayor Darren Cordova, Town of Taos, said that Taos is working with businesses in the community. He said that the town is looking at antiquated city ordinances; for example, the ordinance that prevents businesses from putting up signs that are visible from the street. Mayor Cordova said that the town is working with the schools and will have a competition-size soccer field soon. He added that the town is promoting outdoor recreation that is unique to Taos, as well as promoting heritage and cultural tourism, and that the Pueblo of Taos is the only living heritage site. He said that the town is working on expanding and enhancing economic development while keeping in mind what works for Taos. He added that, fortunately, gross receipts are up from last year, and he attributed the rise to aggressive marketing. He said that Taos is now putting \$500,000 (up from \$90,000) toward marketing Taos businesses.

In response to questions from committee members, Mayor Cordova said that the incubator program is still in place and that the town received \$3.1 million in stimulus funding for a wastewater project. Representative Gonzales highlighted a few additional economic development projects in Taos.

Demographic Modeling to Address Economic Development Hurdles

Dr. Dely Alcantara, senior research scientist, Bureau of Business and Economic Research (BBER), University of New Mexico (UNM), explained how demography plays a role in economic development. She said that population projections are used for school planning, facilities planning and water development, among other things. In response to a question about demography as part of the work force, Dr. Alcantara said that the census data do not address that issue specifically, but it can be done. Dr. Alcantara said that with additional funding from the state, the BBER has been developing geo-databases that include building permits and construction data, birth and death records, road networks and E-911 structures, among other things. She added that the BBER recently received permission to access Motor Vehicle Division license data and that the BBER hired students to help because it cannot hire new full-time

employees without permanent funding. She then discussed migration data, including who stays in New Mexico, who leaves, whether New Mexicans are better off economically when they leave and whether education matters and to whom. She said that the data showed that one-half of all New Mexico residents are born in the state; that over 60 percent of the population born in New Mexico leaves the state; that once New Mexico residents leave, the chance of them returning is minimal; and that, in general, those who leave have a higher educational attainment and income. Dr. Alcantara added that the census data are complicated and that other states do not process data like New Mexico does.

In response to questions from committee members, Dr. Alcantara said the data are based on census data and that adjusting for other factors like cost of living would require collecting data from other states. She said that poverty status is more indicative of where the state is. She also noted that most African Americans in New Mexico are tied to the military and that Asian immigrants are fairly new to the state. She added that the level of education of new migrants often depends on where they are migrating from. In response to a question about migration and high school graduation rates, Dr. Catherine Cross Maple, deputy secretary, Public Education Department (PED), said that the PED does account for students who leave the state when calculating graduation rates.

Work Force Training Presentations and Panel Discussion

Dr. Beverlee McClure, president and chief executive officer, Association of Commerce and Industry, said that she wanted to talk about employer confidence because it ties into whom and how employers are hiring. She said that, depending on the data, the state may find that it is in the eye of the storm. She said that there is no work on the books for 2010 for architects and contractors and the businesses that depend on them. Dr. McClure said that the commercial areas are at a standstill, partially due to lack of credit lines being issued, and that renewable energy has not taken off so that employment has not materialized. She added that, besides the economy, taxes and health care are top concerns for businesses. She said that the association has seen some rebound, for example, with the first-time homebuyer tax credit and the cash for clunkers program, but unemployment is up to 8%, and there is still a lack of a skilled work force (some training beyond high school). She indicated that there is no incentive for potential employees to move into the front-line work force (\$8.00 to \$12.00 per hour) and off unemployment benefits. She noted that employers are also having trouble finding people who can pass a drug test and that many have stopped testing unless the position is in the health or safety field. She said that the state has to address issues that employers are facing when talking about economic development. She said that there is a lot of technology developed here that leaves the state and that the state needs jobs to keep the talent pool in New Mexico. She also said that not a lot of stimulus money has made its way to the private sector. She said that contractors must be unionized to get federal projects, but only 3% of contractors in the state are unionized, so the state cannot even compete. She also said that a lot of out-of-state contractors are underbidding locals, and employers are going to other states for contract labor. She told the committee not to assume that all of the stimulus money stayed in the state and that it did not have the impact the state thought it would on employment. Dr. McClure said that the state has to look at new employers to come into the state to absorb the unemployed and added that a lack of job training

incentive program funding has rocked employer confidence. She indicated that employers, for the most part, do not interact with the PED or the Higher Education Department (HED); they usually work with the Work force Solutions Department (WSD), and the biggest concern is having a point of contact through which to access resources.

Ken F. Ortiz, secretary, WSD, said that since the start of 2008, 6.7 million jobs have been lost nationally. He said that, as of August, the unemployment rate in New Mexico was 7.5% and that the highest unemployment rate in the state was 9.9% in January 1983. However, he said that if laid-off workers who have given up looking for new jobs or settled on part-time work are included, the unemployment rate in New Mexico is 16.8%. Secretary Ortiz discussed the department's outreach efforts, including partnering with the Green Jobs Cabinet, targeting services to expand a skilled work force and partnering with the PED and the HED to improve high school retention and graduation and community college enrollment and completion. He said that services are delivered through 26 work force centers.

Dr. Maple said that a high school graduate does far better than a dropout or a GED recipient and that the state needs to work on the work force by making sure everyone graduates. She said that the PED cannot just bring people back to high school; it needs to use local facilities to re-engage communities into high school graduation. She said that the rehabilitation program focuses on returning people with disabilities to the work force and that the PED is actively involved with New Mexico Office of Reinvestment and Recovery. Dr. Maple added that the PED starts working with students about career choices in late elementary school and about career aspiration courses in middle school and that it tries to stimulate career choices early by including various programs throughout high school. She described the electronic student management system pilot program, which students can use to manage their education, link up to college opportunities and find future jobs and community service opportunities. She said that the PED also has another program that allows students to enroll in college courses during high school.

Len Malry, director of workforce education, HED, said that the vision of the workforce education division is to serve as a catalyst for positioning New Mexico colleges and universities to be effective educational agents in developing the work force and improving the economy and that its mission is to engage in collaboration, research, communication and policymaking. Mr. Malry said that short-term goals include creating a career pathway initiative for the state to identify specific occupations within an industry cluster. He added that Virginia recently began using this model, and it has been deemed very effective. He said that long-term goals include better aligning education and training systems, strengthening connections to the business community/labor market and increasing enrollment in and access to post-secondary education.

The panel then answered questions from the committee. In response to a question about predicting needs in the work force, Secretary Ortiz said that the WSD publishes a newsletter outlining future work force needs and that it has data up to 2017. He said that the educational, health care and government fields are the only areas showing growth. He added that the WSD has four work force boards, each assessing local areas. Dr. McClure said that there are good jobs in renewable energy, but not a lot of jobs as of yet. Concern was expressed about the multiplier

effect of a 14% job loss in one category of jobs. Mr. Malry said that he would get information to Representative Lundstrom about how many jobs the state needs to grow in the construction industry in order to make up for the 14% loss. There were also concerns expressed that the data between the agencies are not matching and that growth in sectors that are already growing should be encouraged, not in sectors with losses. Dr. Maple said that the PED is applying for a Race to the Top Grant and that the state is positioned to be one of the top runners. She said that the grant is intended to be used for education innovation and must tie in work force solutions. She said that there are also three other major competitive grants (not as big as Race to the Top) for which New Mexico will be applying. It was noted that there is no definition for "green jobs", but that the state has applied for a grant to help the research and development team narrow down "green jobs". In response to a question about the work keys program, Mr. Malry said that state funding for the program was cut, but that it will receive funding through the federal American Reinvestment and Recovery Act of 2009. In response to another question, Secretary Ortiz said that 51% of the WSD's board is from the private sector.

Work Force Training: Curriculum Development at UNM

Dr. Kate O'Neill, executive director, UNM-Taos, welcomed the committee to the UNM-Taos campus and introduced the staff. She said that the campus has 512 full-time students this year, which is an 84% increase over five years ago. She said that UNM-Taos has been a branch campus since 2003 and that it has a new associate degree in nursing program.

Dr. Suzanne Ortega, provost, UNM, posed the question, "What is UNM's role with respect to work force and economic development in the state?". Essentially, she said, there are three processes that ensure that the college is meeting the needs of the state. She said that UNM is beginning to use data to try to anticipate local labor force demands and that the branch campuses are viewed as the first point of contact to determine local work force needs. Dr. Ortega said that plans for what courses to deliver and programs of study are based on student demand and that UNM works closely with advisory committees and local business partners. She added that faculty members are constantly changing courses in response to the needs of students and employers (e.g., the new professional sciences program). She said that the average student will change careers multiple times, so students cannot get too bogged down in career programs but need to develop basic skills that can move them through their careers. She said that UNM takes the partnership with the community, students and legislature very seriously.

Dr. Rita Martinez-Purson, dean of continuing education, UNM, said that work force needs are changing and that market research is more necessary today because of increased complexity in business. She said that market research projects involve any effort to gather information about markets or customers. She said that UNM also conducts greens jobs training, which includes LEED certification classes, computer literacy and project management. In addition, Dr. Martinez-Purson said the Continuing Education Department offers statewide substance abuse counselor training, case management training and phlebotomy training, among other things. She added that continuing education serves both markets and customers, its courses are self-sustaining and that it strives to deliver what the customer wants within the customer's budget. She also said that the department works with various organizations and agencies on work

force/career development, including the State of New Mexico, Hewlett Packard, Kirtland Air Force Base and small businesses. She said that the Continuing Education Department also serves the welfare population through specialized training programs for temporary assistance for needy families program participants.

Survey of Economic Development Incentives: Good Tax Policy to Promote Strong Return on Investment

David Lucero, principal analyst, Legislative Finance Committee (LFC), said that the LFC conducted a survey of economic activities in a wide variety of state agencies and other organizations, but that the conclusions were not necessarily targeted toward any one agency or organization. He indicated that the survey found that New Mexico offers a variety of economic development programs, incentives and initiatives, but lacks a statewide plan and a unified budget and has fragmentation, duplicate programs, inconsistent statewide performance outcomes and low-level performance measures. Mr. Lucero said that New Mexico ranked thirty-eighth among states in 2008 in competitiveness after a variety of factors were considered. He said that a quality business environment creates more economic activity (e.g., infrastructure, business incubation, environmental policies and fiscal policies). He noted that, according to Corporation for Enterprise Development's 2007 Report Card for the States, New Mexico's overall picture is still lacking due to under-investment in human capital. He added that the best practices states have a strategic statewide plan, incentive agreements, incentives linked to performance, minimum wage standards, job retention requirements and incentive claw-backs. Mr. Lucero indicated that New Mexico's economic development tools include capital project appropriations, direct appropriations and flow-through funding, equity investment and loans, state grants, a film program, tax credits and tax increment development districts (TIDDs). He emphasized that the legislature should consider a new approach in light of New Mexico's current economic development practices.

Tom Clifford, economist, LFC, said that the tax policy principles adopted by the LFC include adequacy, efficiency, equity, simplicity and accountability. He reviewed significant tax law changes since 2003, including revenue-increasing provisions like the cigarette tax increase and the insurance premium increase, which have an annual impact of \$385 million. The tax law changes also included revenue-decreasing provisions, such as low-income tax relief, the back-to-school gross receipts tax holiday and economic development, which have an annual impact of -\$930 million, bringing the net annual fiscal impact to -\$545 million over the past seven years. Mr. Clifford said that in evaluating the state's tax policies, he found that the adequacy of the state revenue has been reduced, the efficiency of the state's economy is mixed, the equity of the tax code has improved, simplicity has decreased and accountability has decreased.

Jim Nunns, tax policy director, Taxation and Revenue Department, said that business incentive tax credits are intended to promote economic development, encourage the development and use of alternative energy sources or meet some other goal. He said that "tax credits" are actually "tax expenditures" and should be evaluated as such. Mr. Nunns said that business incentive tax credits are inherently inconsistent with tax policy principles, which will automatically make these tax credits appear to be unsuccessful. He said that the business

incentive tax credits should still be evaluated periodically, but by using other methods like return on investment. He added that only some credits were intended to promote economic development and others were intended to encourage production or use of alternative energy, to develop affordable housing and to preserve cultural properties and open land, among other goals. He said that the rapid growth in the number and amount of claims is due in part to the relatively recent adoption of most of the credits and that the number of claims increased substantially in FY 2008 because it was the first year of claims for the rural health care practitioner tax credit. He indicated that increases in the film production, high-wage jobs, renewable energy production and rural health care practitioner tax credits account for most of the growth in amounts claimed over the past several years.

The panel then answered questions from the committee. In response to a question from a committee member, Mr. Nunns said that out of 30 tax incentives, six have sunset dates. Mr. Clifford said that some of the incentives need updates and need to be looked at to determine whether they are still meeting their goals. Mr. Nunns added that disincentives are just as important as, if not more important than, incentives. Mr. Clifford said that the fastest growing component of the general fund came from appropriations to Medicaid. In response to a question about anti-donation clause issues with regard to economic development, Mr. Lucero explained that the Economic Development Department has been exempt from the anti-donation clause through the Local Economic Development Act, which allows a local government to give state general funds to a targeted company for the purpose of economic development. In response to a question about savings to the general fund if the legislature were to repeal personal income tax credits, Mr. Clifford said the savings would be about \$360 million with capital gains, excluding the working families credit relief. He also said that the state is not obligated to provide unlimited amounts of sales by tribal entities.

Representative Garcia made a motion to draft legislation to implement best practices in New Mexico, including post-performance evaluations and statewide strategic planning, similar to the Utah Model. The motion was seconded by Senator Keller and unanimously approved by the committee.

Representative Lundstrom made a motion to support legislation to study the impact of changing the weight distance tax. The motion was seconded by Representative Gray and unanimously approved by the committee. Senator Harden requested a presentation on the issue at the November meeting.

Representative Lundstrom made a motion to draft a memorial requesting that the New Mexico Legislative Council form a subcommittee to study tax credits and to look at various policy changes before tax credits go into effect. The motion was seconded by Representative Rodella and unanimously approved by the committee.

Senator Keller requested that staff look at increasing incentives to hire locally for state contracts and determine whether local contractor preference is specified in statute.

Representative Lundstrom encouraged members to attend the Thursday morning presentation at the Council of State Governments-West conference in Santa Fe.

On a motion made, seconded and unanimously approved, the minutes of the August 2009 meeting were adopted.

There being no further business, the committee recessed at 5:22 p.m.

Tuesday, September 29

Senator Martinez served as guest chair.

Welcome: Economic Development in the Espanola Valley

Daniel Duran, city council, City of Espanola, welcomed the committee to Ohkay Owingeh. He said that Ohkay Owingeh is part of the Espanola Valley and that it is working with the Regional Development Corporation on several initiatives, including broadband. He said that Espanola is working on the west side of the city, which used to be very active but, due to economic changes, now has very few businesses, but it has a beautiful plaza. Mr. Duran said that Espanola is also working on the Main Street area, that Northern New Mexico College will be adding dorms to the college in the next year, that infrastructure needs updating and that the city is working with the pueblos on easements, job growth and tourism.

Marcelino Aguino, governor, Ohkay Owingeh, welcomed the committee to Ohkay Owingeh and said that the pueblo and the whole valley are working toward a lot of good things that will not only benefit local residents, but the entire state. He gave the committee his heartfelt thanks for being there and said he hopes to continue to work together.

Ron Lovato, C.E.O., Tsay Corporation, said that the valley is reliant on state government and Los Alamos National Laboratory as economic engines for the community. He said that the area is trying to diversify and that people have been out marketing at trade shows trying to attract retailers to Main Street. Mr. Lovato said that the pueblo has adopted aggressive tax incentives to attract businesses and that all of the infrastructure is in place at the industrial park to attract industry. He added that the pueblo is constructing recreation facilities and improving airport infrastructure.

The panel then answered questions from the committee. Mr. Lovato said that Ohkay Owingeh has been working on reopening the airport since 2001. Senator Martinez said that the pueblo still needs \$700,000 for a water conveyance system, and Mr. Lovato added that the water system ties in all of the pueblo wells to address issues with uranium in the water. He added that the New Mexico Finance Authority is assisting in securing funding. In response to a question about attracting businesses into a nontraditional area, Mr. Lovato said that businesses are using the airport in Espanola, especially because the Los Alamos airport only has one way in and one way out and has higher restrictions during times of high threat, and that land acquisition in this area for potential tenants is essentially free. He added that the airport can accommodate Type 2

aircraft, not commercial aircraft, and that it would like to be a regional airport. He also said that the area is trying to attract clean technology and high-paying jobs.

Apprenticeship Programs: Growing a Work Force in New Mexico

Melissa Lomax, bureau chief, career, technical and workforce education, PED, said that the legislature directed the PED to study the feasibility of apprenticeship programs. She said that in 2009, SB 46 passed, which provided for high school pre-apprenticeship programs, and that in July, her agency formed a work group to work on rule promulgation related to the bill. She explained that the concept is that any school that wants to can have an apprenticeship program, but it must be done in conjunction with an approved apprenticeship program. Ms. Lomax said that the PED and the trades and industry programs in local areas are responsible for outreach and that the PED was not tasked with developing a curriculum in SB 46, but with laying a foundation for a curriculum to be developed. She said that students can receive elective credits or, if the apprenticeship program can be shown to provide core academic work, the district can pursue that credit through the PED. She also said that the PED is anticipating working in support of legislation that would make available courses in manufacturing skills. She added that growing a work force is a priority of the PED and that the next step is educating educators, city councilors, etc., about the program.

Ms. Lomax, Jerry Welch, technology and industrial dean, Dona Ana Community College, Joe Jaramillo, federal programs director/CTS director, Alamogordo Public Schools, Celina Bussey, executive director, IEC-Northern New Mexico Chapter, and Davie McCoy, executive director, New Mexico Sheet Metal Contractors Association, then answered questions from the committee. Ms. Lomax said that the PED does not have a strategic plan in place yet, but that it would like to come back to brief the committee when it has been implemented and that the PED does not yet have data on how many schools are using the program. Mr. McCoy said that 90% of the program is on-the-job training and only 10% is in class (theory), so program participants are not ready to go out and work after the classroom portion. Ms. Lomax said that she cannot predict if pre-apprenticeship programs will help with New Mexico graduation rates, but trends show that students that take one or more career pathway courses are more likely to graduate. Ms. Bussey added that she faced various geographical issues with the apprenticeship program and that the pre-apprenticeship program will likely face the same problems. She said that her agency is delivering face-to-face instruction to about 300 students from remote rural areas using online and web-based programs and that it is looking at how to reach out to remote areas because those areas are an untapped resource for the work force. Ms. Bussey also said that, initially, the program was an unfunded mandate, but those in the apprenticeship program have gotten used to footing the bill for the work force. She said that industry across the state will fund the program with hopes that the state will back up industry at some point.

City and County Reciprocity for Inspectors

Pete Wilkes, president, Southern New Mexico Chapter of Building Officials, said that current Construction Industries Division (CID) practices, rules, and proposed rule changes have created an unprecedented economic burden on inspectors. He said that a change to statute in HB 219 appears to require that all partial building inspection programs will need to become full

inspections, and the alternative will be to turn over local inspection services to the CID. He explained that there are two classes of inspectors, state and local, which are not identified in statute but underlying at the CID, and this is the only state where this issue exists. Mr. Wilkes said that limiting inspectors to one jurisdiction will have a negative effect on the work force and that many businesses feel that the state does not conduct inspections in a timely fashion. He added that municipal inspectors are more efficient because they are geographically closer and have much less bureaucracy.

Committee members expressed concern about the CID's actual authority and suggested redrafting some rules to address problems with redundancy in testing, disagreements in interpretations, etc. There was also concern about inspectors having to get licensed in each municipality rather than being able to acquire a statewide license such as in most other states.

Kelly O'Donnell, superintendent, Regulation and Licensing Department, said that the department has three pilot programs for sharing inspectors that have been approved and that it has asked for input from local inspectors even though it was not required to do so. She said that the rules were changed based on those suggestions. She emphasized that this is not a turf war and that the goal of the state is timely, safe inspections. She said that there needs to be training for local inspectors and that the overriding goal is public safety.

Bill Fulginiti, New Mexico Municipal League, said that the issue is what is the proper role of the CID and what is the proper role of local inspectors. Lisa Martinez, director, CID, noted that there is a real desire at the local level for autonomy without state oversight. She said that she has been hearing for years that the state needs to provide additional resources and that the CID tries to do that within the rules. She said that local governments do not have the resources and neither does the CID, so the CID thought to partner with municipalities, but local government saw that as a violation. She added that the certification process is in statute and that the CID is trying to prevent liability in other jurisdictions.

There being no further business, the committee adjourned at 1:00 p.m.