

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

**July 7-9, 2014  
Science and Technology Park Rotunda, University of New Mexico  
Albuquerque**

The second meeting of the Economic and Rural Development Committee (ERDC) for the 2014 interim was called to order at 9:56 a.m. by Representative Debbie A. Rodella, chair, on Monday, July 7, 2014, at the Science and Technology Park Rotunda at the University of New Mexico (UNM) in Albuquerque.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Howie C. Morales, Vice Chair  
Sen. Jacob R. Candelaria (July 8-9)  
Rep. Ernest H. Chavez  
Rep. Nora Espinoza  
Rep. Mary Helen Garcia (July 8-9)  
Sen. Phil A. Griego  
Sen. Ron Griggs (July 8-9)  
Rep. Yvette Herrell (July 7)  
Sen. Richard C. Martinez  
Sen. Michael Padilla

**Advisory Members**

Rep. Zachary J. Cook (July 7)  
Sen. Lee S. Cotter (July 8-9)  
Rep. Sandra D. Jeff (July 7, 9)  
Rep. Georgene Louis (July 7-8)  
Sen. Mary Kay Papen (July 8)  
Rep. William "Bill" R. Rehm  
Rep. James E. Smith (July 7-8)  
Rep. Monica Youngblood (July 8-9)

**Absent**

Rep. George Dodge, Jr.  
Rep. Dianne Miller Hamilton  
Sen. Pat Woods

Sen. Craig W. Brandt  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. Patricia A. Lundstrom  
Rep. James Roger Madalena  
Sen. Mark Moores  
Sen. John Pinto  
Rep. Patricia Roybal Caballero  
Rep. Nick L. Salazar  
Rep. Thomas C. Taylor

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

**Staff**

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

Caela Baker, Staff Attorney, LCS

Randy Taylor, Law Student Intern, LCS

John L. Mitchell, Law Student Intern, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts are in the meeting file.

**Monday, July 7**

Representative Rodella welcomed committee and members of the audience. She reminded committee members that the committee will form three working groups to focus on revisions to the Liquor Control Act, telecommunications issues and nonprofit organizations. The working groups will meet at the start of the committee's September meeting.

The minutes for the ERDC's June meeting were approved without objection.

**Welcoming Remarks**

Michael Dougher, vice president for research and economic development at UNM, welcomed the committee and presented an overview of research initiatives at UNM. Part of UNM's mission is to generate information through research, and discovery and dissemination of information is critical to any university's success. Data show that undergraduate students who participate in research graduate, on average, in four to five years, and graduate students are critical to research universities like UNM. UNM trains more Hispanic and minority students in science-, technology-, engineering- and mathematics-related fields than any other institution in the United States. Mr. Dougher also noted that the Carnegie Foundation for the Advancement of Teaching classifies UNM as having the highest level of university research activity. Regarding efforts to support research partnerships between faculty and students, Mr. Dougher said that UNM has developed an application that matches faculty researchers with qualified students who have similar research interests.

Mr. Dougher highlighted the significant economic impact that UNM has on the state. In 2009, UNM was responsible for \$620 million in economic output. UNM is one of the top three quantum information analysis institutions in the country. UNM also ranks fifty-sixth in the country for patent generation among universities, private businesses and private research institutions.

Mr. Dougher noted that federal funding has been significantly cut, which increases competition for remaining funding and affects UNM's research activities. Still, UNM has been

successful in securing funding for its research. Nationally, on average, one out of every 10 research proposals is funded, while UNM's funding rate is 33%.

Mr. Dougher stated that UNM's competitiveness as a research institution is enhanced through its collaboration with the state's national laboratories. He expressed the importance of improving collaboration with the laboratories. In 2014, UNM finalized the hiring process of the first joint university-national laboratory employee, and it has two additional joint hires planned for the coming year. UNM and the participating laboratory will each pay one-half of the new employee's salary. This kind of partnership will enable UNM to offer more competitive salaries when hiring faculty.

Mr. Dougher informed the committee that the university's infrastructure is in need of improvement. He said that it is difficult to attract the best candidates for faculty if the university's buildings and technology are out of date.

### **Questions**

A committee member asked whether UNM receives research or patent assistance requests from local businesses. Mr. Dougher said that the UNM corporate alliance provides assistance to local businesses that approach the organization. He added that part of the mission of STC.UNM (formerly known as the Science & Technology Corporation @ UNM) is to help businesses to navigate the patent process.

In response to a question about UNM's competitive status among universities, Mr. Dougher stated that UNM has hired a lobbying firm to help enhance UNM's national presence. He said that he works closely with the Washington, D.C., firm in its lobbying efforts.

A committee member asked whether UNM receives less state funding because of the federal funding that it receives. Mr. Dougher explained that the federal funding that UNM receives is already allocated to various projects and that it is not used to cover UNM's \$12 million in annual operating costs, which are covered by state funding.

Mr. Dougher discussed cyber-security and related programs at UNM. He said that cyber-security is a fast-growing sector that is in high demand. The national laboratories are interested in the field, and UNM's goal is to make significant investments in cyber-security programs.

### **Public Television as an Economic Development Tool**

Franz Joachim, general manager and chief executive officer (CEO), KNME-TV, Glen T. Cerny, executive director of university broadcasting, New Mexico State University, and Duane W. Ryan, director of broadcasting, KENW-TV, each gave an overview of their respective programs and discussed infrastructure concerns related to public television.

The presenters noted that their primary concerns relate to a shift in the television industry from tape recordings to digital files. Previously, prerecorded tapes were played on the air

according to a schedule; however, today, digital files of recordings must be made. Digital files allow programs to be broadcast in multiple media formats. Further, broadcasting has been automated and requires new, sophisticated technology and equipment.

In order to modernize and increase the efficiency of public television broadcasting in New Mexico, the presenters requested \$750,000 for each television station. The funding, the presenters stated, would be used to update and replace the stations' current operating systems, which are approximately 10 years old.

### **Questions**

In response to a question regarding steps taken by each station to accommodate changes in technology and viewer habits, the presenters stated that public television stations in the state currently offer video on demand for multiple shows. In addition, many television programs are available for viewing by viewer request at [www.pbs.org](http://www.pbs.org). They added that research indicates that almost 80% of public television viewers continue to access the programs on television.

Committee members inquired how public television programming affects economic development. The presenters indicated that each of the stations works closely with local chambers of commerce and that they strive to educate the public on issues relating to the state's economy, including, for example, solar power and agricultural issues. This kind of education helps increase awareness and can encourage creative business development initiatives. The stations also offer programming that educates viewers on health care, local employment opportunities and other issues important to local rural areas.

A committee member asked whether public television collaborates with schools. The presenters explained that, locally, public television has a strong relationship with the Albuquerque Public Schools and that, overall, public television is closely related to educational opportunities and provides many programs, lesson plans and other curriculum materials for classroom use at [www.pbslearningmedia.org](http://www.pbslearningmedia.org).

In response to committee members' questions about information that might be disseminated via public television stations, the presenters stated that the stations strive to be as thorough as possible in their programming and that they frequently entertain requests for distribution of information via the stations. They encouraged committee members to contact their stations with any specific requests for programs or information distribution.

### **Effects of Proposed Child Care Center Rule Changes**

Rebecca Dow, founder and CEO of the AppleTree Educational Center, and Joy Losey, president, New Mexico Child Care and Education Association, discussed the effects of recent changes to the Children, Youth and Families Department's (CYFD's) child care center rules and the CYFD's adoption of new child care center accreditation standards.

Ms. Dow explained that there are 700 daycare centers, 300 group homes and 3,100 individual care providers in New Mexico. According to New Mexico Kids Count, there are approximately 145,000 children under six years of age in the state. Approximately 17,500 of those children receive child care assistance through CYFD programs that provide financial assistance through federal and state subsidies to offset the cost of child care.

Ms. Dow and Ms. Losey stated that they would like to see the eligibility level for a child care subsidy increased from 150% to 200% of the federal poverty level. They also expressed the importance of setting reimbursement rates for qualifying children at 100% of the cost of the child's care. Ms. Dow stated that if the subsidy eligibility level was increased to 200% of the federal poverty level, two working parents who earn minimum wage would be able to qualify for a child care subsidy.

Regarding the child care center rating system (FOCUS), Ms. Dow noted that the implementation of the FOCUS standards would make it difficult for centers to maintain a "star-5" rating without making expensive changes to its operations. She added that if student-provider ratios are lowered, many centers will be unable to find funding to hire additional staff members and could be forced to cease operations.

Ms. Losey expressed concerns about the new requirement that a center be accredited by the National Association for the Education of Young Children (NAEYC) if a center wishes to be rated a "quality center". She stated that student outcomes should be the basis for rating the quality of centers and that many non-NAEYC accredited schools, including Montessori, are producing good student outcomes.

Steve Hendrix, the director of the CYFD's Early Childhood Services, explained that the recent changes that affect child care centers were made as an incentive for providers to improve operations and service. He added that the higher reimbursement rates provided for by the rule changes could encourage increased quality of service. He clarified that centers may be accredited by four different bodies, including the NAEYC and two faith-based accrediting bodies.

Mr. Hendrix discussed the FOCUS rating system and emphasized that a center's decision to use the system is voluntary and not required by department rule. He added that providers who participate in the FOCUS program will provide valuable feedback to the CYFD, which will in turn help with development of the rating system program. The goal of the FOCUS program is to foster program leadership, cultivate teacher quality and support positive outcomes for all children. He stated that the CYFD is allowing centers to work to meet the new FOCUS standards by December 2017 in order for those centers to take advantage of benefits related to the FOCUS program.

## **Questions**

A committee member expressed concern that the public could be misled into believing that a center with a FOCUS Star 5 rating provides the greatest academic outcomes for children.

The member added that the FOCUS pilot program has been in existence for a year and a half and of the 100 participants, 94 are at a FOCUS Star 2 level and six are at a FOCUS Star 3 level.

Mr. Hendrix explained that there would be upcoming public meetings to discuss the criteria for achieving a FOCUS Star 4 or FOCUS Star 5 rating. He added that the FOCUS program is based on 10 years of research and studies, the results of which also support the use of NAEYC accreditation standards.

Mr. Hendrix stated that the CYFD provides child care assistance for families that earn up to 150% of the federal poverty level and that the CYFD is increasing reimbursement levels for providers to encourage increased quality of services.

Ms. Dow, Ms. Losey and several committee members expressed concern about the lack of cooperation and communication between child care providers and the CYFD.

The committee voted in support of a motion to send a letter to the CYFD requesting that the department discontinue the use of FOCUS standards until further studies are completed and more collaboration with providers has occurred.

### **Technology, Innovation and Entrepreneurship — InnovateABQ and UNM's Business Incubator**

Lisa Kuuttilla, CEO of STC.UNM, presented an overview of technology- and innovation-related programs at UNM. STC.UNM is a nonprofit corporation formed and owned entirely by the UNM Board of Regents. The corporation is a 501(c)(3) nonprofit corporation with an independent board of directors. STC.UNM collaborates with researchers at the state's two national laboratories, and one of its goals is to nurture innovation and economic development for the UNM community.

STC.UNM has assisted 90 start-up companies since 1995, 48 of which are still in business today.

Ms. Kuuttilla described the recent activities of InnovateABQ — a project designed to inspire innovation and job creation. InnovateABQ recently purchased property for a new location, at which the project will continue to function like a business incubator, but it will also have dorms, restaurants, coffee shops, classrooms and more.

UNM plans to create an "Innovation Academy" to go along with InnovateABQ. The Academy will include an Innovation Design Clinic, which will be part of the UNM Honors College. A national innovate web application competition may be developed that will be part of a massive open online course. A student entrepreneurial pilot program may also be a part of the academy. The program will offer students a low-risk opportunity to start a business during their summer break from school.

## **Questions**

A committee member asked for clarification on the ownership of patents for innovations developed with STC.UNM. Ms. Kuuttala explained that the relationship between companies and STC. UNM often provides for STC.UNM to assist with the application for the patent, and then STC.UNM transfers successful patents to the company that developed the innovation and then receives royalties from the companies.

## **Recess**

The committee recessed for the day at 4:30 p.m.

## **Tuesday, July 8**

The ERDC reconvened at 9:43 a.m.

## **Liquor Control Act — Recommendations of the Liquor Control Act Task Force**

Mary Kay Root, director, Alcohol and Gaming Division, Regulation and Licensing Department, presented an overview of the recommendations developed by the Liquor Control Act Task Force. Ms. Root also invited a number of speakers to present their views on the task force's recommendations.

Ms. Root explained the process by which the task force developed its recommendations. The task force met together and in subcommittees to discuss and vote on several proposed recommendations for revisions to the Liquor Control Act. The task force subcommittees focus on current quota liquor license holders, economic development, trade practices and public safety and enforcement.

Ms. Root presented a list of all proposals that were considered and voted on by the full task force. She also provided copies of ballots on the various proposals as appendices to her presentation material. She summarized recommendations that were approved by the task force and discussed some of the concerns that arose during task force discussion.

Regarding public safety, the task force was concerned that predatory pricing, particularly selling liquor below cost, could lead to overconsumption. Another concern focused on powdered and frozen alcohol, neither of which is currently regulated by the Liquor Control Act but both of which are subject to abuse.

Ms. Root explained that many of the task force-approved recommendations will allow license holders to have increased flexibility to help them meet market demand. She reviewed the task force recommendations that were passed and those that failed the task force balloting process. She noted that a few of the recommendations that were adopted were aimed specifically at rural economic development.

Marie Claire Voorhees, director of communication at the Santa Fe Prevention Alliance, explained the prevention community's opposition to certain task force recommendations. She stated that statistics show that economic development that is focused on the alcohol industry leads to public health problems. She emphasized the community's objection to recommendations that increase service hours, increase the density of licenses in communities and relax restrictions on serving minors or intoxicated persons.

She explained her opposition to allowing liquor license transfers out of rural communities and into communities with license numbers in excess of those communities' quotas. The transfers create a negative impact on both types of communities. The over-quota areas would have an increased density of licensees, and the rural areas would suffer from increased driving while intoxicated (DWI) rates. Finally, Ms. Voorhees stated that the prevention community opposes the recommendations to change tasting permits because the recommended changes would not hold licensees accountable for violations that occurred during tastings.

Alex Ocheltree of Billy's BBQ in Silver City spoke in favor of certain recommendations that the task force rejected, specifically the creation of new, limited liquor licenses that could encourage rural economic development. He stated that Silver City's historic downtown attracts tourists, but none of the downtown businesses holds a liquor license because they are too expensive. Less expensive licenses with a limited scope, such as wine, tavern or limited-spirits licenses, he suggested, could help encourage economic development.

Justin Greene, owner of Dashing Delivery, a food delivery service in Santa Fe, encouraged support for home delivery of alcohol in New Mexico. He said that home delivery of alcohol is already occurring in two ways — out-of-state retailers may legally ship alcohol to homes in New Mexico, and some in-state merchants are illegally delivering alcohol to homes by using taxi services. He explained that many potential home-delivery customers would benefit from this change in the law, including the elderly, ill or otherwise homebound and inebriated people who would rather not leave home to drive somewhere for a drink. He explained that delivery drivers could be required to complete alcohol server training and to undergo performance reviews to ensure their ability to distinguish valid from false identification cards. Additional protective measures could be implemented, including prohibition on cash sales, required quarterly reporting, required general liability insurance and a prohibition on delivery to school campuses.

Mark Rhodes, an attorney representing equity firms, addressed the need for revising the Liquor Control Act's fingerprinting requirement. He said that the provision, which requires fingerprinting of those persons who have a direct or indirect interest in a licensed establishment, has created a significant barrier to investment in New Mexico's economy. Large equity firms have begun investing in the restaurant and tourism business, and the fingerprinting requirement discourages investment by firms.

Enrique Cardiel, a community activist, encouraged the committee to consider the evidence of how alcohol sales affect communities, including increased disease, accidents and deaths.

Patricia Lincoln of New Mexico DWI Prevention Advocates raised a number of concerns. She stated that task force membership should include more members from the prevention community. She also asked that the state's DWI ranking be considered when changes are made to the Liquor Control Act.

Maurice Bonal stated that the need to balance public safety and health with economic development in rural areas should be a focus for discussion. The quota system has not met its intended goal, and although the Liquor Control Act prescribes a quota of one license per 2,000 people, the current rate is actually closer to one license per 900 people. Further, the state does not regulate or count the numerous licensed facilities on tribal land. Mr. Bonal said that allowing current license holders to retire their licenses and allowing the development of new licenses would better serve New Mexico's needs.

Jolene Aguilar from the Partnership for Community Action stated that the task force is heavily weighted with industry representation, and economic development should not take priority over human lives.

### **Questions and Comments**

A committee member suggested that cultural choices may influence alcohol abuse in New Mexico. Another legislator commented that people should not be allowed to carry driver's licenses after multiple DWI convictions.

A committee member commented that some local option districts are over quota because the Liquor Control Act allows districts to permit more licenses to come into the district, even if it is over quota.

A committee member requested that the committee consider the value of allowing "corking" at restaurants, a practice that allows a customer to take a bottle of wine to a restaurant and then allows the restaurant to open and serve that bottle, resealing the bottle if it is unfinished.

A committee member asked Mr. Bonal for clarification on his suggestion for a new lottery license system for liquor licenses. Mr. Bonal stated that such a system would be a fair way to reallocate licenses without increasing the total number of licenses already issued. The lottery licenses would be state-issued dispenser licenses that would replace licenses that are currently unable to be transferred out of a local option district because the district has a status as being under quota. The lottery system would allow stranded license-holders to sell their licenses, but the system could also diminish the value of currently held liquor licenses.

Another committee member asked Ms. Root to clarify the task force's process. Ms. Root said that the task force met six times, beginning in December 2013, and each task force subcommittee met about once per month. The subcommittees voted on recommendations, which were then voted on by the task force as a whole. The subcommittee meetings were not publicly announced.

Several committee members expressed the need for limited licenses so that smaller communities might have greater economic development opportunities.

Laura Tomedi, alcohol epidemiologist for the Department of Health, stated that public safety concerns are focused on density of licenses in local option districts. Although New Mexico is one of the few states that require alcohol server training, alcohol outlet density and serving hours have a statistically significant negative impact on public health.

### **The Role of Breweries in New Mexico's Economy**

Chris Goblet, executive director of the New Mexico Brewers Guild, presented information on the craft brewing industry in New Mexico and related state and national legislative initiatives.

Mr. Goblet stated that New Mexico's total craft beer production in 2012 was just under 60,000 barrels from 31 craft brewers. In 2013, the craft brewing industry employed 557 full-time employees and 607 part-time employees. As of April 2014, there were 27 active brew pubs in New Mexico, 17 brew pubs in the process of opening or in planning stages and five packaging breweries, which produce craft brewing products for sale mostly outside of New Mexico.

Mr. Goblet asked the ERDC to consider a number of legislative initiatives. He explained that in New Mexico, wineries are allowed to have three off-premises locations at which to sell their products, while craft breweries are allowed just two. The New Mexico Brewers Guild would like to see changes in the law to create equity between wineries and breweries. The New Mexico Brewers Guild also supports a statute governing growlers, which are generally glass or stainless steel containers designed to transport up to a half-gallon of draft beer. Growlers account for between 2% and 20% of craft breweries' sales in New Mexico, and the guild believes a law governing growlers is important.

Mr. Goblet reviewed materials he provided to the committee members and responded to questions from the committee.

Several committee members raised the issue of equity between wineries and breweries under the law. Mr. Goblet explained that now that the brewery industry is growing, it is time to bring the laws up to date as they relate to wineries, breweries and distilleries to create equity among the industries.

In response to a question about craft breweries' business in the state, Mr. Goblet told the committee that most components for brewing and bottling or canning beer are purchased from out of state; however, one of the New Mexico Brewers Guild's initiatives is to develop barley and hop farming in New Mexico.

### **Foreclosure Task Force Update**

Diana Dorn-Jones, executive director, United South Broadway Corporation (USBC), Scott Cameron, USBC Fair Lending Center, and Senator Padilla presented a report on the work of the Foreclosure Task Force. Senator Padilla stated that the areas in the state with the highest foreclosure rates are the same areas with the highest percentages of children on free or reduced-fee lunches and the highest percentages of Title I schools. He emphasized that when children have a consistent place to sleep, stay and live, they have better educational outcomes.

Ms. Dorn-Jones summarized the memorial that led to the task force's creation. The memorial calls for measures to prevent unnecessary foreclosures, invites the Center For Responsible Lending to participate and requires that the task force's final report be given to appropriate legislative committees. The memorial also emphasizes the importance of good-faith negotiations. Ms. Dorn-Jones highlighted that, after three meetings, no one has left the task force and all are still involved in the task force's work.

Ms. Dorn-Jones stated that while New Mexico has some of the strongest antipredatory lending statutes in the country, mortgage violations are still occurring, including failures to process loans in a timely manner and the loss of paperwork. She stated that very few housing counselors in New Mexico are certified by the United States Department of Housing and Urban Development, which results in families being ill-equipped to deal with home refinancing.

In response to a committee member's question, Ms. Dorn-Jones said the task force has been primarily concerned with loan servicing. She cited failures by loan-service companies to adequately notify mortgagees or to process loans in a timely manner. She told the committee that interested parties are invited to attend the task force meetings.

### **Job Creation Through Procurement Reform**

Dr. Beverlee J. McClure, president and CEO, Association of Commerce and Industry (ACI), and Anthony D. Trujillo, president, Holman's USA, LLC, presented recommendations to the committee regarding support of small New Mexico businesses through Procurement Code reform. Dr. McClure stated that her association's goal is to ensure that New Mexico tax dollars lead to New Mexico jobs, and she pointed out that New Mexico is one of the only states that continues to lose jobs post-recession. The ACI believes that part of the problem is the state's Procurement Code.

Dr. McClure stated that the collective economic impact of in-state businesses should be taken into account when contracts are awarded. Local businesses recirculate an average of 37%

of their revenue into the local economy, while out-of-state businesses recirculate only 12% of revenue back into the local economy.

The former state purchasing agent presented an overview of the Procurement Code, which can be found in Chapter 13, Article 1, Sections 28 through 199 NMSA 1978. He stated that the purpose of the Procurement Code is to ensure equity and to maximize public funds, equity and integrity. He added that there are several home-rule communities in New Mexico, and each of these communities has adopted its own procurement code. In addition to state law and home-rule community codes, the Anti-Donation Clause of the Constitution of New Mexico and the Governmental Conduct Act govern procurement in New Mexico. He explained that preferences in procurement can be helpful tools for encouraging development in the state. New Mexico's Procurement Code provides a preference for small businesses that boosts scores on those businesses' bids.

Mr. Trujillo presented his perspective on procurement in the state as a New Mexico small business owner. He stated that Holman's USA, LLC is a \$43-million-a-year company that is headquartered in Albuquerque and that contracts with the federal Department of Energy. He said that when the state went to a price-dominant contract for procurement, he lost \$3 million annually, amounting to six full-time jobs that his business had to eliminate. The Procurement Code should be a vehicle for creating employment within the state, and he requested consideration of the ACI's recommendation that the state require that 30% of its annual spending go to small New Mexico businesses.

Larry Maxwell, state purchasing agent, General Services Department, stated that the Procurement Code Task Force is currently meeting and working to find ways to improve and simplify the Procurement Code. In addition to the state and home-rule community codes, Mr. Maxwell pointed out that school districts have their own procurement codes. He said that reporting the amount of money that state agencies spend on contracts with in-state versus out-of-state companies requires tracking at the agency level or tracking by the Department of Finance and Administration.

Committee members raised concerns that although 15% of a bid's score must be based on price, subjective values by bid evaluators still skew the procurement process and have the potential to fail to protect taxpayer dollars. Dr. McClure responded that the ACI's specific concern is that extra and unnecessary requirements are being included in requests for proposals, and those requirements are designed to favor certain bidders — often non-New Mexico businesses. She directed the committee to a copy of a Tourism Department request for proposal that was included in the ACI's presentation materials. That request required bidders to be certified to do business with the federal Department of Defense, which seemed unnecessary and could prevent New Mexico businesses from qualifying.

Another committee member noted concern over the numerous exemptions to the Procurement Code.

The ACI also recommended creating an independent process for appealing contract awards. Mr. Maxwell explained that these appeals are an administrative process that can ultimately be appealed to a district court, but the district court would have jurisdiction only over issues raised by the parties themselves. Dr. McClure clarified that the ACI's concern is that businesses may not appeal issues because the appellate authority is the same party that denied the contract award.

### **New Mexico Broadband Working Group — Report and Strategic Plan**

Gar Clarke, program manager, New Mexico Broadband Working Group, updated the committee on the working group's progress. He informed the committee that New Mexico ranks fortieth in the United States for broadband speeds, which the working group is attempting to improve.

Mr. Clarke emphasized that the working group's total budget is \$6 million, \$4.8 million of which is federal funding with a \$1.2 million state match. All of the work of the group is contracted out, so there is no governmental growth as a result of the project.

Mr. Clarke stated that most of the group's work has been the mapping of the state's broadband capability. The map that has been developed displays the type of technology present in each area, the relevant service providers and related resource speeds. He discussed several tools developed by the working group, including a community master plan guidebook, broadband map galleries and a community anchor site assessment, which is a map of all facilities within a community that require broadband access.

Mr. Clarke stated that the group has a regional focus for developing broadband access. Pursuant to that focus, the group has developed regional broadband implementation pilots and regional rural collaborative focus groups to identify regions that require internet access, to assess current infrastructure and needs and to engage the telecommunications industry in developing service. Mr. Clarke recommended developing plans for three specific areas: education, health care and economic development.

A committee member agreed that good public health, education and infrastructure are necessary to foster economic development, and internet access is increasingly necessary for that development. Mr. Clarke was asked about public school readiness to allow students to take standardized tests that require internet access, and he said there are approximately 30 schools that cannot provide a method for students to take tests electronically using the internet and that data must be stored and physically transported.

In response to a question about how the state can attract larger providers to rural areas, Mr. Clarke responded that building schools seems to attract telecommunications providers, given the connection between education and economic output. Mr. Clarke stated the working group's first effort is always to encourage the industry to improve service in underserved areas.

## **Recess**

The committee recessed for the day at 4:30 p.m.

## **Wednesday, July 9**

The ERDC reconvened at 9:55 a.m.

### **Economic Development Department — Five-Year Strategic Plan and Film Office Update**

Nick Maniatis, director of the New Mexico Film Office, gave an update of the film office's work in 2014. He stated that there are 22 movies and five television productions scheduled for production in New Mexico during 2014, and two additional television productions are in process and could begin production in 2014.

Mr. Maniatis said that New Mexico hosted the annual Film and Media Conference — the largest conference to date — in Albuquerque in May 2014. He also discussed the New Mexico Stars Program and the Digital Media Accelerator, which is a privately held company that acts like a business incubator to help video game and application developers.

Jon Barela, secretary of economic development, briefed the committee on the status of the Economic Development Department (EDD). He enumerated the EDD's eight priorities and described the department's economic development planning process.

Secretary Barela explained that the EDD currently has five business incubators, and despite their high success rate, the incubators are underfunded. Secretary Barela also discussed the department's food kitchen initiatives. The kitchens, he said, are similar to business incubators, have incredible potential and should be replicated throughout the state. He said that the goal is to establish 12 kitchens.

Secretary Barela described the rural renaissance of New Mexico. The EDD MainStreet Program was ranked as one of the four best programs in the United States. The EDD also developed the successful Native American MainStreet Program and the Historic Movie Theater Renovation Program. Finally, he explained that trade in Mexico is at historically high levels, and the country has forecast a gross domestic product growth rate of 4% per year. He emphasized that New Mexico should take advantage of its proximity to Mexico. The growth of New Mexico's border towns has led to United Airlines requesting to include New Mexico's economic growth in its seat-back *Hemispheres Magazine*.

## **Questions**

In response to a committee member's question about jobs in New Mexico, Secretary Barela said that the private sector job growth in New Mexico is 2%, but federal job loss in the state is approximately 10%. New Mexico is highly dependent on federal jobs, and the state should shift to a focus on job growth in the private sector.

Secretary Barela updated the committee on the status of New Mexico's bid to become home to the proposed Tesla Gigafactory. He said that New Mexico has done as much as it can and is still in the running for the factory. He emphasized that Tesla has a time line, and New Mexico is aggressively pursuing the business.

Another committee member requested data that quantify the return on investment of each of the state's job-creation incentives. Wade Jackson, EDD general counsel, said that certain tax information is protected by law and can only be provided by the Taxation and Revenue Department, which makes reporting the requested data difficult.

A committee member asked what the current funding is for the food kitchens. Secretary Barela answered that the current funding level is \$130,000, but an estimated \$1 million would be necessary to expand the program.

### **Adjournment**

There being no further business before the committee, the committee adjourned at 11:51 a.m.