

**MINUTES
of the
SECOND MEETING
of the
JOBS COUNCIL**

**July 23, 2014
Carpenters Local Union Hall
Albuquerque**

The second meeting of the Jobs Council (council) was called to order by Representative W. Ken Martinez, co-chair, on July 23, 2014 at 10:22 a.m. at the Carpenters Local Union Hall in Albuquerque.

Present

Rep. W. Ken Martinez, Co-Chair
Sen. Mary Kay Papen, Co-Chair
Ray M. Baca
Terry Brunner
Sen. Phil A. Griego
Sen. Stuart Ingle
Beverlee J. McClure
Rep. Rick Miera
Sen. George K. Munoz
Rep. Debbie A. Rodella
Alex O. Romero
Sen. Michael S. Sanchez
Sen. Pat Woods

Advisory Members

Sen. Michael Padilla
Sen. John C. Ryan
Rep. Don L. Tripp
Rep. James P. White

Guest Legislator

Sen. Benny Shendo, Jr.

Guest Cabinet Members

Jon Barela, Secretary of Economic Development
Monique Jacobson, Secretary of Tourism
Dr. Jose Z. Garcia, Secretary of Higher Education

Absent

Rep. Donald E. Bratton
Celina C. Bussey
Rep. Stephanie Garcia Richard

Sen. William F. Burt
Rep. Mary Helen Garcia
Rep. Patricia A. Lundstrom
Sen. Howie C. Morales
Sen. Steven P. Neville
Rep. Thomas C. Taylor

Staff

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)
Raúl E. Burciaga, Director, LCS
Monica Ewing, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Wednesday, July 23**Review of 2014 Interim Process Guidelines**

Mark Lautman, lead program consultant to the council, reviewed the council's progress in the 2013 interim and said that during the 2014 interim, the council would focus on pursuing legislative measures, including several appropriations, aimed at job creation. He emphasized that the work would include coordination with the Legislative Finance Committee (LFC) and the executive branch.

Mr. Lautman explained that during the last interim, the council estimated that the state would need to create 160,000 economic base jobs over the next 10 years to return to pre-recession employment levels. That number accounts for the 30% of jobs that will be lost through attrition and for the new jobs that will be needed as the state's population increases.

A member highlighted the fact that New Mexico continues to lose jobs and asked Mr. Lautman how the council's work could support the private sector and enhance opportunities for local businesses to contract with state government. Mr. Lautman responded that the continued loss of jobs is accounted for in the number of new jobs the council estimated during the 2013 interim. He added that at a later meeting, the council could consider whether the state could make strategic or programmatic changes to encourage contracting with local companies.

Mr. Lautman stated that the council would spend most of the day reviewing and considering for approval 10 legislative initiatives culled from the initiatives previously considered by the council. He added that during the council's next four meetings, more measures could be brought to the council for consideration.

Mr. Lautman stated that the council would be considering three kinds of proposals during the meeting: those that enhance existing economic development programs; those that seek to create programs where none currently exists; and those that seek to improve the overall business climate in the state to encourage development and job creation.

A member expressed an interest in receiving data showing the cost per job created of the

state's economic development incentives. Secretary Barela stated that only certain of the state's incentive programs, like the Job Training Incentive Program (JTIP), were designed to make such reports available.

Representative Martinez reminded the council that the day's presentations on spending measures for job creation were some that the council put forward during the previous interim. He added that, as happened in New Mexico, job-creation funding is often cut during a down economy, and those cuts can depress job creation. Through its work, the council has seen that the state needs to carefully consider its economic development policies and to strategically allocate resources in its job-creation efforts.

Tim Karpoff, facilitator for the council, reviewed the process for the presentation of job-creation measures for the council's consideration. Representative Martinez added that any measure not unanimously supported by the council would not receive the council's approval.

Review and Selection of Previously Proposed Job-Creation Initiatives

New Mexico Partnership (NMP)

Noreen Scott, board member, NMP, thanked the council for its work and noted that the work is important for retaining in the state the state's best-educated young people. Ms. Scott said that the NMP was created to increase awareness that the state is a good place to do business. She added that the Tourism Department and Secretary Jacobson have improved New Mexico's image and helped it achieve recognition.

Ms. Scott said that over the past two years, Secretary Barela and the Economic Development Department (EDD) have focused on holding the NMP accountable for the money it spends. Forty percent of the leads for job-creation development in Rio Rancho originated with the NMP. Smaller communities in New Mexico receive even greater percentages of their leads from the NMP. Moreover, an untracked benefit of every recruitment of a large corporation is the corporation's philanthropic investment in the state.

Ms. Scott said that the proposal seeks \$1.5 million of additional funding for two years. In addition to supporting and expanding the capacity of the partnership, the increase would be used for face-to-face business development and other marketing. Ms. Scott delineated how much of the money would be used for advertising, direct mailings, sales missions, trade show participation, lead generation, social media tools, maquila supplier marketing and client-specific research.

Ms. Scott emphasized that the EDD's marketing budget is significantly underfunded. She also noted that the fiscal year 2013-2014 cost per job for the NMP's job-creation efforts was \$625. She reviewed graphs that showed the correlation between jobs created and business opportunities located and funding levels.

A member asked whether the NMP receives a percentage of the money local communities collect through gross receipts taxes. Secretary Barela responded that some communities, like Alamogordo, use such money for economic development purposes and that in a few cases, those communities coordinate their efforts with the EDD. He added that local communities engage in economic development in a variety of ways, including through their councils of governments, through private-sector investments and through joint powers agreements with other governments.

A member asked whether efforts are made to combine funding from local governments with state funding for economic development efforts. Ms. Scott responded that some of the presentations that day would be focused on those kinds of cooperative efforts. She added that the NMP has several targets throughout the rural parts of the state.

In response to a question about how the NMP uses its resources, Secretary Barela stated that the NMP has a detailed, categorized prospect list. Lead origins are tracked, and the EDD works with local economic development organizations to improve a community's chances of securing a deal. He emphasized that his approach to economic development includes working to attract businesses that are leaving areas like San Diego, California, and that the NMP should be creative in its use of resources.

A member noted the importance of executive support for the council's requests for additional funding. Secretary Barela responded that the legislature and the administration are identifying job-creation priorities and that he participates in that work. He added his opinion that the increased funding for the NMP should be tied to conditions and metrics.

In response to a question, Secretary Barela stated that the cooperation between the EDD and local economic development organizations has been very good. He added that the NMP was formed in part to decentralize the urban tilt of the state's recruiting efforts and that the certified community initiative and the New Mexico MainStreet programs help smaller communities.

A member asked how the NMP's cost per job of \$625 compares with that of film incentives. Secretary Barela responded that a film study, which was recently completed, concluded that the industry is showing strong performance in the state. Film incentives come at a cost of over \$600 per job, and the film industry has created 9,000 direct jobs and 7,000 indirect jobs with average salaries of \$50,000 per year.

In response to a question, Ms. Scott said that the NMP helps businesses in their applications for incentives and grants. The NMP also works with existing businesses on financing, real estate and business expansions. Secretary Barela added that it is easier to help an existing New Mexico business to expand than it is to recruit out-of-state businesses and that the NMP works with large, small, public and private businesses.

A member commented that the state should avoid issuing regulatory decisions that could

make the state less business- and industry-friendly.

A member asked for information about the number of leads the NMP generated, the number that were realized by the state and the number of trade missions made in the past two years. Another member requested that the NMP make a presentation to the Economic and Rural Development Committee about the businesses recruited by the NMP.

Representative Martinez asked the council members to vote on whether to support the increased funding for the NMP with the condition that the increase be subject to the inclusion and review of metrics and that it meet with support from the administration. The proposal was approved without objection.

Local Economic Development

Steve Maestas, managing partner, Maestas and Ward, presented a request for \$50 million for projects developed pursuant to the Local Economic Development Act (LEDA). Mr. Maestas summarized his professional background and noted that his affiliation with the Federal Reserve Bank of Kansas City has exposed him to some of the best economists in the country and in the world, who have given him insight into how financial policy affects states.

Mr. Maestas reported that 40 states have job-creation funds and that recently, many economic development incentive packages have included a work force component. Mr. Maestas emphasized that a well-funded job-creation fund would allow New Mexico to create economic base jobs and be essential to many major business expansions. He added that the money New Mexico has currently appropriated — \$15 million — is insufficient to support even one-half of the current economic development projects in the state. He emphasized that although the amount of money available for LEDA projects increased during the previous year from \$3 million to \$15 million, it would take an even greater investment to stimulate large-scale job creation.

LEDA projects, Mr. Maestas explained, are carried out by project participation agreements that contain clawback provisions to protect public money and that establish the obligations of the parties to the agreement. Before a project proceeds, an economic impact assessment is conducted to ensure that the project is viable and a good investment. Mr. Maestas reminded council members that the LEDA authorizes only those projects that involve investments related to land, buildings, infrastructure and other hard assets.

In response to a question, Mr. Maestas stated that infrastructure is a key component in attracting business. He noted that Arizona successfully secured a deal with Apple because the state had a solar building available for use by the company. New Mexico, he said, has limited buildings and infrastructure to offer, making it harder for the state to compete.

Representative Martinez reiterated that the proposal was to increase the appropriation for LEDA projects to \$50 million and to make that appropriation part of the recurring budget. Mr.

Maestas stressed the importance of predictability in the availability of funding for LEDA projects. Several members commented on the importance of the clawback provisions. The council then agreed, without objection, to approve an appropriation of \$50 million for LEDA projects.

JTIP

Eric Montgomery, business development manager, Mesilla Valley Economic Development Alliance, presented a proposal to make a nonreverting appropriation of \$12 million for the JTIP. He noted that the \$1.5 million appropriated during the past year would be exhausted by December 2014. Mr. Montgomery characterized the JTIP as one of the state's most creative, flexible and effective economic development tools and explained that the program allows existing or recruited companies to enhance their employees' skills through reimbursements for training. The JTIP board, which includes public and private sector members, vets proposals and reviews the financial records for companies prior to making awards.

Therese Varela, director, Economic Development Division, EDD, stated that the JTIP currently has \$10 million, but \$8 million of that is obligated. She added that the EDD supports an appropriation of \$12 million for fiscal year 2016.

Without objection, the council agreed to approve the appropriation of \$12 million.

Cooperative Marketing

Mr. Lautman presented a proposal requesting \$2 million for the EDD for a cooperative marketing program. In the program, state funding would be matched by local economic development organizations. He noted that the program would be administered by the EDD and that the program's success could be measured by the number of qualified leads procured by each organization and the cost per lead generated.

In response to a question asking how the cooperative marketing program would differ from the LEDA program, Mr. Lautman responded that the LEDA program provides incentives to help the state close economic development deals, while the cooperative marketing program would help to increase the number of potential deals and encourage local communities to invest in their economic development programs.

The council approved the appropriation of \$2 million for a cooperative marketing program.

Economic Development Grant Act

Steve Howe, consultant, Steven Howe Consulting, presented a proposal for an appropriation of \$4.5 million for economic development staff augmentation. Mr. Howe reported

that the Economic Development Grant Act, introduced in the 2014 session, was signed into law without an appropriation and that the appropriation would establish a 50%-50% match program for communities to hire additional economic development staff. The proposal would fund up to 30 economic developers for up to three years. On the fourth year, he said, the program would become a bonus program. The appropriation and the program could create up to 4,000 jobs at a cost of \$750 per job. A member stated that the program is sorely needed in the state's rural communities and expressed concern that the communities would terminate the employment of economic developers after the program's third year. Another member asked about the proposal's distribution of funding throughout the state. Mr. Lautman stated that the EDD, as administrator of the program, would evaluate requests and monitor progress associated with the awards.

The council approved an appropriation of \$4.5 million to implement the Economic Development Grant Act.

Solo Worker Pilot Program

Mr. Howe also presented a proposal for an appropriation of \$500,000 to establish a job-creation program focused on solo workers. He said that an increasing number of employers are relying on solo workers, and solo work is particularly important in rural areas where there may not be many other economic base employment opportunities. Mr. Howe noted that one or more of several departments could administer the program, which would begin as several three-year pilot projects. Through the program, a community would receive matching grant money to enable the community to convert its solo workers into economic base job holders by marketing their goods and services to out-of-state customers.

For the solo worker program to be successful, Mr. Lautman stated, a community would need to track the number of economic base solo worker jobs created. The solo workers could join a community of interest. Further, membership would be important to incorporate metrics, such as requiring that a certain percentage of a solo worker's revenue be from out of state for that worker's employment to qualify as economic base.

A member stated that access to broadband is a primary concern for many solo workers and communities in the state. Mr. Lautman commented that broadband access was identified by the council as a significant need for job creation in certain regions.

The council approved an appropriation of \$500,000 to implement a solo worker pilot program.

Forest Restoration Economic Development

Brent Racher, president, New Mexico Forest Industry Association, and Senator Shendo proposed an appropriation of \$250,000 for forest restoration economic development.

Mr. Racher stated that there is much need for forest restoration and that such work will produce a lot of raw materials. The proposal seeks \$250,000 for starting programs, primarily in rural areas, to convert the materials into products for sale. The program could include up to five restoration hubs in the state, and its purpose would be to encourage New Mexico businesses to take advantage of forest restoration investments.

Senator Shendo discussed his pueblo's involvement in forest restoration projects. The Pueblo of Jemez has received grants for its restoration project. There has been a forest fire in Jemez in each of the past three years, and the pueblo is trying to restore its forests to protect the people and animals that live there. Senator Shendo informed the council that millions of tons of material is being removed from the forest each year — most of it wood less than 12 inches in diameter. The pueblo is using its small mill to make lumber and tries to use every piece of removed material. The pueblo currently has eight full-time employees working on the project, but it could employ 30 to 40 additional employees.

A member noted that The Nature Conservancy has reported that forest restoration will have a significant economic impact and an impact on water in affected areas. Another member asked whether pellets for stoves are one of the products made with material removed from forests. Senator Shendo stated that most of the pellets sold in the state come from Arizona and Colorado.

In response to questions, Mr. Racher said that about 18% to 25% of the land for restoration projects is private and that the permitting process for restoration can be lengthy, but some areas are already in advanced stages of the permitting process.

The council approved the appropriation of \$250,000 for forest restoration assistance.

Middle School Physics

Mr. Lautman presented a proposal for a middle school physics pilot program. The proposal seeks \$250,000 to establish a pilot program that would institute a physics curriculum in five of the poorest-performing middle schools in the state. Mr. Lautman stated that the physics program was used in poorly performing schools in Colorado Springs, and the performance in those schools in three different subjects increased dramatically within one year. The program has been implemented in a school in Gallup. The appropriation would cover teacher training and delivery of the curriculum in five schools and help to increase student success in science, technology, engineering and mathematics (STEM) in school and, eventually, in the workplace. Several members expressed their excitement about the program and its potential to aid New Mexico in providing qualified workers for STEM-related jobs. Responding to a question about teaching the curriculum online, Mr. Lautman stated that the experiential nature of the curriculum is critical to its success, and for that reason it is taught in a classroom.

The council approved the appropriation of \$250,000 to fund the pilot program.

Broadband Study and Report

Charles Lehman, director, Employment and Economic Information Center of New Mexico, Duncan Sill, economic and strategic development director, North Central New Mexico Economic Development District, and Mike Baca, Department of Information Technology (DOIT), presented a proposal seeking an appropriation of \$300,000 for a comprehensive study and report on statewide broadband infrastructure needs and solutions.

Mr. Lehman emphasized the importance of broadband accessibility for economic development and added that more than one-half of the state's rural economic development organizations report that accessibility in their areas is inadequate. He stated that the appropriation would fund a year-long comprehensive study by the DOIT that would enable it to complete broadband mapping for the whole state. The study would also help to identify barriers to and costs for needed infrastructure and programs that could be leveraged.

Mr. Sill stated that the project would be aimed at leveraging existing state program activities and investments such as stimulus funding. He noted that broadband does not only relate to the internet, but to the exchange of relevant information and that New Mexico has been ranked forty-seventh in the country for broadband access. He commended the work of the DOIT and said that it is necessary to translate that work into an assessment of needed investments.

A member requested that the tribal liaison for the DOIT work with Mr. Sill on the project and commented that broadband access enhances public safety. Another member asked whether the study has uncovered issues with easements and rights of way. Mr. Sill said that the DOIT has solidified relations with tribal entities and has focused on outreach to them.

The council approved the appropriation of \$300,000 to fund the broadband study.

Work Force Gap Analysis

Mr. Lehman presented a proposal for an appropriation of \$125,000 for a work force gap analysis model. He said that it would identify current and future work force needs. State and national organizations have done this, and it would be helpful to have a New Mexico-specific analysis so that the number of graduates could be compared to work force needs, and education could be tailored appropriately.

Secretary Garcia informed the council that the Higher Education Department (HED) has compared the state's graduates with the work force that is leaving the state. The HED has developed a graphic that aims to show work force supply and demand. It would like to work with the National Center for Higher Education Management Systems to improve and enhance the model to produce information on current and future supply and demand of various types of workers.

Mr. Lehman stated that the Workforce Solutions Department has a resource that tracks workers by social security number and identifies whether each worker is employed and, if so, in which county. He emphasized that the board uses information about groups of workers, not individuals, and stated that it is useful to see whether, following training, workers are finding employment.

The council approved the appropriation of \$125,000 for development of the work force gap analysis model.

Status Update of Local Data-Gathering Process

Mr. Lehman provided the council with a status update on the development of the council's online real-time dashboard site showing the data developed through the council's deliberations during the last interim. He stated that he is working to add data for counties and councils of governments to the state-level data developed by the council. A series of six-hour deliberations are planned in areas throughout the state, and the data solicited from those meetings will be included with the state-level data. Mr. Lehman stated that legislators will be notified when deliberative meetings occur in their districts.

Minutes

The minutes from the first council meeting were approved without objection.

Adjournment

There being no further business before the council, the second meeting of the Jobs Council for the 2014 interim adjourned at 4:33 p.m.