

**MINUTES
of the
FIRST MEETING
of the
JOBS COUNCIL**

**June 10, 2014
State Capitol, Room 322
Santa Fe**

The first meeting of the Jobs Council (council) was called to order by Representative W. Ken Martinez, co-chair, on June 10, 2014 at 10:40 a.m. in Room 322 of the State Capitol.

Present

Rep. W. Ken Martinez, Co-Chair
Sen. Mary Kay Papan, Co-Chair
Ray M. Baca
Rep. Donald E. Bratton
Rep. Stephanie Garcia Richard
Sen. Phil A. Griego
Sen. Stuart Ingle
Beverlee McClure
Rep. Rick Miera
Rep. Debbie A. Rodella
Alex O. Romero

Absent

Terry Brunner
Celina C. Bussey
Sen. George K. Munoz
Sen. Michael S. Sanchez
Sen. Pat Woods

Advisory Members

Sen. Michael Padilla
Sen. John C. Ryan
Rep. Thomas C. Taylor
Rep. Don L. Tripp

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

Guest Legislator

Sen. Timothy M. Keller

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.

Tuesday, June 10

Welcoming Remarks

Representative Martinez welcomed the council, including newly appointed members and meeting attendees, and stressed the importance of the council's continued work. He emphasized that in order for the council to succeed, it would need to engage in a bipartisan jobs-creation effort in cooperation with the executive branch. Cabinet secretaries from agencies related to the council's task were invited to participate as members of the council.

Review of the 2013 Interim Jobs Council's Process and Findings

Mark Lautman, lead program consultant to the council, introduced Tim Karpoff, Charles Lehman and Sal Perdomo, who will be working with Mr. Lautman throughout the interim. He stated that the council would work to achieve the same goals it pursued during 2013. The council has been focused on the creation of economic-base jobs, which are those jobs for which the service or product provided is paid for by an out-of-state consumer. Mr. Lautman stated that, in general, up to two service sector jobs are created as a result of every economic-base job that is created. The council decided during the last interim that its job-creation considerations would be comprehensive and include employment sectors like tourism, independent work and health care, which are often excluded from the dialogue on job creation.

Mr. Lautman briefly outlined the process followed by the council during the 2013 interim. First, using a clinical consensus approach, the council agreed on the scope of its work and on definitions for certain words and concepts relating to economic development and jobs creation. Second, the council arrived at an estimate of the number of jobs that need to be created in New Mexico to return the state to pre-recession employment levels. Third, the council estimated the number of jobs that could be created in each employment sector. Fourth, the council identified the geographic areas of the state in which those jobs would most likely be created. Finally, the council identified factors that would inhibit the creation of jobs. A spreadsheet of estimates and numbers arrived at by the council in each of its sessions was created, and several related job-creation bills were introduced during the 2014 session.

Program of Work for the 2014 Interim: Deliberation and Agreement on Process Guidelines

In response to Mr. Lautman's overview of work proposed, a member asked whether the council would consider the potential effect on the state of Tesla establishing a battery factory in New Mexico. Mr. Lautman stated that the council would be able to consider the effect of that development and added that Tesla's presence would increase the number of manufacturing jobs in the state.

Another member asked how the construction industry is accounted for in the council's work. Mr. Lautman responded that construction jobs are very rarely considered economic-base jobs because they provide a service to local consumers, and that those jobs therefore fall outside of the council's considerations. Mr. Lautman also reminded the committee that when the economic base is growing, non-economic-base jobs like construction jobs are automatically created.

A member asked how the council's efforts would be coordinated with local economic development efforts. Mr. Lautman stated that that coordination is the heart of the second area of the proposed focus of the council during the 2014 interim.

Mr. Lautman explained that, in addition to refining previously introduced legislative measures for reintroduction, the council would work with the state's councils of governments (COGs) to collect estimates at a local level that are analogous to those developed by the council during the previous interim. The seven COGs would be asked to estimate the number of jobs that need to be created in their regions, in addition to estimates of associated economic sectors and areas in which those jobs might be created. The COGs would also be asked to identify limitations that could prevent job creation in their regions. He noted that the spreadsheet that the council produced last interim would be revised to include information provided by the COGs about their specific regions. Combining local-level and state-level information in a spreadsheet and then making it available in an accessible online database could lead to better comprehensive economic development planning. The information, he said, could help the Economic Development Department (EDD) and others to focus efforts to produce the best results. A member added that, in addition to examining state and regional information, it is important to consider economic regions, like the Four Corners area of the state.

A member asked whether the council should review the rate of attrition it estimated last interim. Mr. Lautman stated that the rate of attrition for jobs varies by employment sector and that the council used an average attrition rate of 30% in its work in 2013. He stated that 30% is a conservative estimate because of the quick evolution of technology and the automation of many jobs. He reminded the council that many of the jobs that need to be created are necessary just to replace jobs that have been lost.

Regarding job loss, another member asked whether the state has been able to determine the causes of employers leaving the state. Mr. Lautman stated that that type of information is difficult to obtain, particularly at the state level. He suggested that local communities might be able to access that kind of data more easily and that a survey could be used to collect it. Another member stated that New Mexico should be a convenient and attractive place to locate a business, regardless of the political party in power in the state. Mr. Lautman agreed that part of the council's task is to create a job-creation framework using policy decisions that are not made in a vacuum or for political reasons, but rather because the cost of not making certain decisions — reduced job creation — is clear.

The information collected through the council's work should particularly help communities with limited resources with their economic development decision-making. Mr. Lautman added that four of the seven COGs are already engaged in the council's process, and the other three are participating to varying degrees. Representative Martinez took a moment to welcome Representative Luciano "Lucky" Varela, chair of the Legislative Finance Committee (LFC), to the council's meeting. Representative Martinez noted that some of the council's legislative recommendations will be considered by the LFC and that the council will work to get information and legislation to the LFC early in the interim so that the LFC has an opportunity to evaluate the recommendations.

In response to a question about the circumstances that brought Intel to New Mexico, Mr. Lautman gave a brief history of that company's locating in New Mexico and noted that each Intel expansion in the state was influenced by the regional availability of contractors and engineers. However, he said, New Mexico is now competing internationally to house Intel and other companies. While New Mexico's surrounding states have increased their investment in jobs and economic development, New Mexico's investments recently have steadily decreased.

Regarding investment per job created, Mr. Lautman directed the council members to pages 15 and 16 of the Review of the Legislative Jobs Council 2013-2014 (handout), which includes information about how jobs are created through traditional economic development efforts. He emphasized the importance of considering whether local and state economic development organizations have sufficient resources to manage the number of transactions needed to produce a given number of jobs.

Mr. Lautman reviewed the action items on page 17 of the handout. Regarding the fourth item, "cure major factor of production gaps", Mr. Lautman emphasized that information from local organizations will be needed to accurately assess and address the barriers to job creation peculiar to each community.

A council member commented that access to housing in oil and gas production regions is limited by the "boom and bust cycles" that occur in the oil and gas sector. Inconsistent income streams and impaired credit ratings can be an obstacle for workers who seek home loans from banks. Additionally, in areas of the state where housing is limited, it can be difficult to find housing for the construction workers who would potentially build new housing.

Mr. Lautman reviewed the proposed interim work of the council, shown on page 23 of the handout. He said that the council's meetings in July and August would be focused on forming a legislative package for introduction in the 2015 session. In its September, October and November meetings, the council would consider new ideas for legislation and would hear reports on the status of information collected from the COGs for eventual publication and use online. The COGs, he added, would use the same consensus approach used by the council during its 2013 interim meetings.

A member expressed concerns about being presented with legislation that is aimed at recruiting a specific company without being supplied with information about the company. The member also requested more information about the COGs' current work and how their efforts will coincide with each other and with the state.

In response, Mr. Lautman stated that the COGs would be collecting data and channeling data to a web site as a public service. Regarding the council's legislative package, Mr. Lautman described the criteria to be used to select legislation. The list of seven specific criteria shown on page 25 of the handout can be distilled into two major criteria: 1) importance — will affect job creation quickly or solve a community's specific and urgent need to keep jobs; and 2) manageability — can be measured for success. A council member responded by informing the committee that The Pew Charitable Trusts (PEW) has been working with the LFC to assess the success of state programs, and PEW might be a resource for the council and state agencies in their analyses of the costs and benefits of proposed job-creation initiatives.

A member expressed the hope that the council's work would produce a meaningful legislative package that has the governor's support. Mr. Lautman followed by stating that the council could strive to have every proposed piece of legislation supported by both parties in both houses, the executive branch and a private constituent or advocacy group. Ann Simon, an economic development representative from the Mid-Region Council of Governments, spoke to the council about the planned participation of the COGs in the council's interim work. She explained that the COGs are regional planning entities that represent member governments, which are mostly counties. The majority of COGs' programs, she said, receive federal funding. While the COGs do not recruit businesses, they are able to identify the infrastructure needs of their communities.

Tim Armer, another COG representative, followed by stating that the COGs partner with community economic development organizations. He added that the COGs' collaboration with the council is well-matched with the work they are doing pursuant to a federal Economic Development Administration grant to help to develop a statewide economic development strategy.

A member asked Ms. Simon and Mr. Armer whether, having reviewed the proposed program of work, either one saw the need for the council to make changes to its approach this interim. The COG representatives responded that no such changes are needed now and that the COGs are excited about the opportunity to join in the council's efforts. Mr. Lautman noted that he and the other consultants to the council would be working with all of the COGs to facilitate meetings in each region and to ensure that the process produces good data at the local level. He then introduced Mr. Lehman, who would be responsible for developing the online dashboard composed of the data collected by the council and the COGs. Mr. Lehman explained that the dashboard would be an online real-time display of state, COG and county-level data, and it would show current and consensus forecasts of population, work force numbers, employment, need for economic-base jobs, sectors providing those jobs and factors affecting job creation. The

web site would include information on how the data were collected. Ultimately, the plan is for the dashboard to be an interactive tool that allows users to see developments in their region or county. Regarding the collection of data included in the dashboard, Mr. Lautman noted that the process of estimating can produce accurate results as long as the guessing is done by a diverse group of individuals. He also discussed potential subsequent applications that could be developed to display and update the data.

A member remarked that the dashboard would provide transparency, accessibility and accountability. At a recent conference, the member explained the council's work to others and learned that many states are considering similar programs. He added that the dashboard could be expanded to provide information or links to commercial real estate, available resources, applicable tax and permitting rules and law and other information to guide businesses and employers to New Mexico's communities.

Returning to the topic of 2015 legislative proposals, Mr. Lautman noted that the council would consider draft legislation containing appropriations at its next meeting. Meeting that deadline would allow the LFC an opportunity to consider the council's recommendations. Representative Martinez added that in order for a legislative proposal to receive the council's approval, it would have to receive unanimous support. This approach, he explained, would help keep the council's work from being politicized and would support efforts to produce successful legislation.

A few members reiterated concerns about the status of negotiations between the State of New Mexico and Tesla regarding the siting of Tesla's battery factory. One member suggested that the mayor of Albuquerque or the governor be asked to address the council on this issue. On the topic of analyzing and prioritizing legislation aimed at job creation, a member expressed concern that there is not a way to analyze legislation for possible long-term benefits. He said that such an analytical tool would be useful to legislators.

A member stated that he hoped that the council's interim work would include a broad agenda of topics, including regulation reform, tax incentives and public-private partnerships. He added that the council is near consensus on the items introduced during the 2014 session.

Legislation that contains employer-specific policies should not be enacted, opined another member. The legislature should instead enact broad policies aimed at removing economic development impediments to make the state competitive. Mr. Lautman advised the council that it should carefully consider the outcomes, in terms of job creation, of whether a particular measure is enacted.

Another member responded that a cost-benefit analysis is an important step in policymaking and also suggested that the council work to ensure that small businesses in the state continue to thrive and grow. He added that 80% of job creation is driven by small businesses.

At the conclusion of this discussion, a member said that he believed that the fact that New Mexico is not a "right to work" state is a barrier to economic development. A few members responded that economists and economic development experts from the University of New Mexico and New Mexico State University have advised the council that the "right to work" issue is not actually a barrier to job creation in New Mexico. Another member suggested that the issue could unnecessarily politicize the council's work.

Review and Selection of Previously Proposed Job-Creation Initiatives

Representative Martinez reminded the council that several of the measures introduced during the 2014 session were one-time appropriations. He added that certain of those measures might be more effective if included in recurring budgets.

Mr. Lautman reviewed several measures that were introduced during the 2014 session (shown on page 26 of the handout). In addition to those legislative proposals listed, he noted that the council could consider additional measures for the 2015 session using the council's established criteria. A member observed that the first 10 items on page 26 of the handout can be combined into one request for increased funding, but added that a few of those requests may need revision. There was no objection from the council to combining those requests for appropriations. Mr. Lautman noted that the Tourism Department is not likely to make a request for additional funding during this session, and he added that the department has good accountability measures and can track the return on its investments. A member stated that unless the department objects, the council should move forward with a request for additional funding for the Tourism Department.

The council discussed the formation of work groups or teams to work on each of the legislative proposals the council agreed to pursue. Mr. Lautman suggested that each work group would have an opportunity to make a short presentation to the council at its July meeting. The council could then vote on which proposals to endorse.

Regarding item two, Mr. Lautman explained that Mr. Lehman and an organization from Boulder, Colorado, have been working for a few years with the Higher Education Department to project where gaps in qualified workers will exist in the future in New Mexico. He added that the model would help to identify limitations in the area of work force and would allow for combined job-creation and work-force efforts. Mr. Lehman added that an additional \$100,000 to \$150,000 would help to support the work on that model and that the model would also show the number of workers who leave or enter the state and those workers' major areas of study.

A member suggested that it is important that the executive and legislative branches have a relationship of trust that would eliminate the need for the legislature to earmark funding. Regarding item three, Mr. Lautman stated that the middle school physics pilot project is in its second year in Colorado Springs, Colorado, and data show that in one year, students' test scores have increased dramatically and even exceeded grade level. The program does not have to be

taught by science teachers and would require a one-time appropriation to establish four pilot programs in New Mexico.

Regarding item seven, Mr. Lautman explained that Texas has a \$250 million to \$300 million closing fund, and New Mexico's equivalent of that fund is approximately the size of San Antonio's. While New Mexico may not need that much, it probably needs an amount proportional to the number of deals that would need to be closed in the coming years to create jobs in the state. A member pointed out that New Mexico appropriates money, which can be used similarly to that in a closing fund, to the EDD for implementing the Local Economic Development Act (LEDA). The member suggested, therefore, that the council not use the term "closing fund" in its discussions. This could also help to clarify the confusion around whether New Mexico actually has a closing fund. Members of the council discussed the LEDA and the fact that there are certain restrictions on how money in that fund can be used, that it is an exception to the Anti-Donation Clause in the state's constitution and that a local community has to pass an ordinance prior to accessing money through the LEDA.

Mr. Lautman reminded the council that when it is deliberating on the amount of money to request for the LEDA, it should consider whether the amount requested matches the council's strategic goals and the number of job-creating transactions contemplated and needed. He added that the EDD budget was \$18 million 20 years ago; today it is closer to \$6 million, and all economic development investments need to be increased.

Regarding item eight, Mr. Lautman stated that the affected sector — solo or independent workers — is one of the most neglected economic-base sectors. Workers in this sector work out of their garages or homes or use a mobile platform. Transactions in this sector are singular; one transaction creates one job. In order to create these jobs, unemployed New Mexicans need to be converted into solo workers. A project like this needs to be piloted, and assistance could come from the small business development centers, MainStreet programs and other local efforts. A member remarked that he recently spoke with solo-worker lobbyists at a conference, and they reported to him that they would consider moving to an area like Albuquerque if it offered entertainment or activities for their non-working hours.

Regarding item nine, Mr. Lautman explained that millions of dollars to be used for forest thinning are entering the state and that thinning activity will create biomass and wood products like latillas and vigas that need a market. The EDD has already begun work in this area in a few locations in the state. A member noted that New Mexico Highlands University and Luna Community College have established forest restoration and cutting programs.

Proposed Work Plan and Meeting Schedule

Ms. Ryan presented the council's proposed work plan and meeting schedule for the council's consideration. The council adopted the proposed work plan and meeting schedule without objection.

Mr. Lautman informed the council that he and the other contractors would begin forming teams around each legislative proposal so that proposed bills containing appropriations would be ready for the council's consideration on July 23.

Public Comment

Vanessa Alarid, lobbyist for Western Albuquerque Land Holdings, reported that the organization is a partner in the council's job-creation efforts. Theresa Varela, a division director with the EDD, explained that of the \$1.5 million that was appropriated to the Job Training Incentive Program (JTIP) in the 2014 session, only \$500,000 of it was included in the EDD's base budget. She added that the appropriation to implement the LEDA was also a reverting appropriation.

An economic development executive from Cibola and Grant counties said that the 10 appropriations items considered by the council that day are indispensable programs that should be recurring.

Adjournment

There being no further business before the council, the first meeting of the Jobs Council for the 2014 interim adjourned at 4:39 p.m.