

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

**September 1-2, 2016
Roswell**

The fourth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Rick Little, chair, on September 1, 2016 at 9:05 a.m. in the Daniels Leadership Center at New Mexico Military Institute (NMMI) in Roswell.

Present

Rep. Rick Little, Chair
Sen. Benny Shendo, Jr., Vice Chair (9/1)
Sen. Jacob R. Candelaria
Sen. Ron Griggs
Sen. Michael Padilla (9/2)
Sen. John Pinto (9/2)
Rep. Debbie A. Rodella
Rep. Bob Wooley
Rep. John L. Zimmerman

Absent

Rep. D. Wonda Johnson
Sen. Richard C. Martinez
Rep. Patricia Roybal Caballero
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon
Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Sen. Mark Moores (9/1)
Sen. Mary Kay Papen
Rep. Dennis J. Roch (9/2)

Rep. George Dodge, Jr.
Rep. Nora Espinoza
Rep. Jimmie C. Hall
Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Rep. Nick L. Salazar
Sen. William E. Sharer

Designated Attendees

Sen. Ted Barela (9/1)
Rep. David M. Gallegos (9/1)
Sen. Howie C. Morales (9/1)

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

Staff

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)
Celia Ludi, Staff Attorney, LCS
Jeff Eaton, Fiscal Analyst, LCS
Anna Martin, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Thursday, September 1**Call to Order and Introductions**

Representative Little welcomed members of the committee, staff and guests to the meeting.

Welcoming Remarks

Major General Jerry Grizzle, president/superintendent, NMMI, welcomed the committee to NMMI, which, he noted, is 125 years old.

Dennis J. Kintigh, mayor, City of Roswell, highlighted the city's "Clean and Safe" program, which offers property owners free disposal of materials from the demolition of derelict structures, including houses, commercial buildings, storage sheds or any other structures that have become eyesores and pose safety hazards. Mayor Kintigh said that approximately 100 structures have been torn down since the program started three years ago. He asserted that dilapidated buildings not only detract from the aesthetics of the community, they also create a danger to adventurous and curious children, or anyone else who may wander into or around them, and the buildings also become locations for criminal activity. Removing these types of structures positively impacts the community by making it cleaner, nicer looking and safer. Mayor Kintigh said that crime also negatively impacts economic development by hurting recruitment efforts. He said the other big deterrent to effective economic development is the need for tort reform; businesses need to be assured that they are protected from frivolous litigation.

Referring to his handout at Item (2), Mayor Kintigh related that the Roswell International Air Center (RIAC) is a unique asset that has the potential to diversify the entire state economy. The RIAC was developed after Walker Air Force Base was decommissioned in 1967, and ownership of the land, buildings and facilities was transferred to the City of Roswell. The facilities include the largest smooth runway in the United States as well as hangars that are currently leased to eight aviation service companies, several education and training programs, aircraft testing facilities and five government facilities. Mayor Kintigh said that although the RIAC offers great opportunities for economic development that will diversify the entire state economy, the investment required to fully exploit those opportunities is more than a small rural city can come up with on its own. Mayor Kintigh opined that state investment, even in a year of desperate budget constraints, would return multiples of the investment both to the city and to the state's General Fund in a short time.

Economic Development Updates from Roswell and Chaves County

John Mulcahy, president and chief executive officer (CEO), Roswell-Chaves County Economic Development Corporation, informed the committee that the RIAC is worth about \$2 billion a year and offers 1,000 jobs that pay between \$40,000 and \$50,000 a year, drawing employees from throughout the state — particularly the southeast area. It is a huge state asset, and the City of Roswell needs the state to help with maintenance costs to ensure that it remains a viable piece of the statewide economic development picture. At present, the roof leaks in the hangar leased by Dean Baldwin Painting, LP, and the city is working on finding funding sources to repair it.

Referring to the handout at Item (2), Mr. Mulcahy explained the parameters of the commercial aircraft maintenance, repair and overhaul (MRO) industry, which is, at present, a \$67 billion global industry and is forecast to be a \$100 billion industry by 2025. Commercial airlines prefer to outsource MRO so that the airlines can focus on their core business of commercial air transport. The Federal Aviation Administration, for security reasons, prefers that MRO be performed in the United States rather than being outsourced to other countries. The RIAC is already established as an important MRO hub and needs support to grow to meet the demands of an industry that is growing globally. At present, American Airlines is taking ownership of two new jets a week, and many are coming to Roswell for testing and preparation prior to being put into service. Mr. Mulcahy showed a YouTube video of American Airlines landing 20 MD-80s in one day at the RIAC.

Mr. Mulcahy said that the RIAC needs to expand to meet the needs of a changing air transport industry; in particular, it needs more and larger hangars that can accommodate newer and larger aircraft and more storage capacity, in addition to general upkeep of the existing facilities. In particular, the RIAC needs \$10 million to build a new hangar and to repair the roof of the existing hangar currently leased to Dean Baldwin Painting, LP. He noted that the need for additional storage is because the New Mexico storage facilities are full due to the fact that New Mexico does not charge an inventory tax on aircraft stored in the state and, therefore, storage here is less expensive. Texas, for example, charges a three percent inventory tax on stored aircraft. Mr. Mulcahy suggested that enactment of a similar inventory tax, or a tax that is slightly lower than Texas's, could bring in enough revenue to fund the necessary maintenance, repairs and expansion.

Mr. Mulcahy also addressed jobs at the RIAC, noting that the jobs in the aircraft MRO industry are highly skilled and well-paid, with good benefits. He said that it takes about 14 months to learn the basic skills for a trade that pays \$50,000 or more a year, plus benefits. He contrasted that to the average state income of \$26,000 a year. Well-paying jobs are essential to healthy, growing communities because they support other businesses from housing to leisure.

David Mantay, general manager, Dean Baldwin Painting, LP, referring to the handout at Item (2), told the committee that Dean Baldwin Painting is a 50-year-old business that employs 200 people and grosses \$15 million to \$20 million annually; it is the largest aircraft painting

company in the country. Dean Baldwin Painting paints 175 to 200 large commercial and private aircraft a year and is currently booked two years out. It needs more and larger hangars to be able to expand its operations, and the longer it takes to get the additional space, the more business it will lose to other states and companies that offer similar services. Right now, there is not a hangar at the RIAC that will accommodate a wide-body jet, such as a Boeing 747, but more and more jets are being built. Every new plane that goes somewhere else to be prepared to be put into service will continue to be serviced elsewhere. Mr. Mantay said that Dean Baldwin Painting just opened an expansion plant in Indiana and would like to come back to New Mexico for additional expansion. He strongly urged the legislature to become an active partner with the private sector to allow for expansion of the aircraft MRO industry in New Mexico.

Mr. Mulcahy said he met with Secretary of Economic Development Jon Barela to discuss availability of Local Economic Development Act (LEDA) funding for repair and expansion of hangars at the RIAC, but the 90/10 rule is an obstacle because the City of Roswell would be required to put up \$2.5 million for its share, and the city does not have the money. In addition, the LEDA is designed for private start-ups, but the RIAC is an existing city-owned enterprise. He noted that the 90/10 requirement is not statutory but, rather, is a guideline issued by the Economic Development Department.

Answering questions from the committee, Mr. Mantay said aircraft need to be repainted every three to five years, depending on corrosion, and Dean Baldwin Painting paints new aircraft for both Boeing and Airbus. Mr. Mulcahy added that a hangar needs to be very large to accommodate a wide-body aircraft such as a Boeing 747.

Mayor Kintigh, answering a committee member's question as to whether the City of Roswell has considered a local tax similar to the tax for Spaceport America, said that he does not believe a city can tax itself into prosperity and the state should share the cost. He added that the RIAC should be thought of as infrastructure, similar to roads and bridges. A committee member asked if the city and county have imposed all or any portion of the local option allowed for gross receipts tax. Mayor Kintigh replied that the county has, but the city has not. He added that fiscal year (FY) 2016 revenues were 16 percent lower than FY 2015, and the FY 2017 budget assumes less revenue than FY 2016. The city has not increased taxes but has reduced the number of city employees from more than 600 to 540 by freezing hiring, except for police, fire and sanitation workers. He said the city would rather grow its way out of its fiscal situation than tax its way out, but it needs state help because the income tax generated by the good jobs in the area goes into state, not city, coffers.

A committee member suggested that capital outlay funding might be available, and Mayor Kintigh affirmed that he has been working with the Legislative Finance Committee on a capital outlay request, although he expressed reservations about the year-long lead time between the time the request is submitted and the time the money is available.

New Horizons Foundation, Driving Innovation Throughout the Permian Basin

Dale Ganaway, executive director, New Horizons Foundation (NHF), informed the committee that the NHF was created in 2011 by New Mexico Junior College and the Lea County Commission to provide access to technology-based economic opportunities in southeastern New Mexico as an approach to diversifying the economy in southeastern New Mexico and reducing its economic reliance on the oil and gas industry. The federal Department of Defense (DOD) has 200 laboratories nationwide, and the NHF has signed a cooperative research and development agreement and a partnership intermediary agreement with the DOD under which the NHF pays reasonable fees to the DOD in return for unprecedented access to federal laboratories to identify, license and commercialize proven technologies from the federal laboratories into private industry. The NHF sponsors visits to DOD laboratories, where NHF clients may identify suitable DOD technologies for start-ups or access technologies that will expand and diversify new or existing business capabilities.

Liquor Licensing Policy Revisions; State Perspectives

Mary Kay Root, director, Alcohol and Gaming Division (AGD), Regulation and Licensing Department, explained the issue of "quota" licenses, i.e., dispenser's and retailer's licenses that are limited by population and location. She noted that the limitations on the licenses, combined with the ability to transfer them to qualified buyers, have had the consequence of creating a private market for the sale and lease of the licenses, especially dispenser's licenses, and have resulted in private valuations of the licenses far in excess of the actual fees charged by the division.

She stated that there are currently 1,411 "quota" licenses in New Mexico. Dispenser's licenses allow the sale of alcohol both by the drink and in unbroken packages; retailer's licenses allow only the sale of alcohol in unbroken packages. There are only 71 retailer's licenses, and, because of their scarcity, are some of the most highly valued licenses in the private market. All license transfer and sales price information is available on the AGD's website.

Because of the very high private sale costs of dispenser's and retailer's licenses, in most cases, individual would-be bar or restaurant owners cannot afford a dispenser's license. Most recent sales of dispenser's or retailer's licenses have been to large national chain stores, some of which, like CVS or Wal-Mart, sell only unbroken packages, and others, like hotels and restaurants, sell only by the drink. The result is that some communities in New Mexico now have few or no businesses where the public may purchase alcohol by the drink, except for restaurants that have restaurant ("beer and wine") licenses. She noted that a restaurant with a restaurant license cannot serve spirits, so it cannot offer margaritas or dessert coffees such as Irish coffee; restaurants are also required to show that at least 60 percent of gross revenues derive from the sale of food and no more than 40 percent from the sale of alcohol.

Ms. Root listed other types of liquor licenses that allow certain alcohol manufacturers to sell their products by the drink and in packages to the public, including:

- craft distilleries;
- winegrowers; and
- small brewers.

Ms. Root observed that the economic impact of the alcohol industry goes beyond the sale of alcohol to the public and that New Mexico has an opportunity to capitalize on support industries, such as:

- contract farming to grow wheat, barley and hops for beer and distilled spirits, as well as apples for cider and grapes for wine;
- middle products producers, e.g., a business that buys apples or grapes from the farmers, processes the fruit into juice and sells the juice to distillers or vintners;
- malting houses for grain;
- mobile canning and bottling operations; and
- beer-tap cleaning services.

Ms. Root said that the AGD's priority initiative was to get legislation passed that would allow staggered license renewals. This legislation passed in 2015 and is working well. Before the staggered renewal dates, the division was overwhelmed every year in June when all licenses came up for renewal, and it had to authorize overtime for regular employees and hire additional temporary workers to process all of the applications. Now, with the staggered renewal dates, the workload is evenly distributed throughout the year and no overtime or additional temporary employees are necessary. The AGD is working on creating an online renewal system to further streamline the renewal process, and it is also working on the first comprehensive review of the rules since 2006. On an ongoing basis, the AGD works with the Special Investigations Unit (SIU) of the New Mexico State Police Division of the Department of Public Safety to ensure that the SIU agents tasked with enforcement of the Liquor Control Act have the most current information; and the AGD works with licensees to encourage compliance, rather than punishment for noncompliance. She added that the AGD, with 12 full-time employees, brings in \$4 million in revenues, but its operating budget is under \$1 million, making it a net revenue producer for the state.

In response to a request by a committee member, Ms. Root provided a printout of a list on the AGD's website of the quota liquor licenses in New Mexico by local option district; she noted that the information is on the AGD's website and changes daily.

Answering questions from committee members, Ms. Root explained the dispenser's license limitations in more detail. She said the number of dispenser's licenses in a given community is limited, first, by population in the local option district; and second, by limitations on transfers into or within the local option district, including limitations enacted by the local option district itself. The issue is further complicated by the statute that allows transfers of licenses between local option districts, which also provides that, when a dispenser's license is transferred from one local option district to another, the ability to sell unbroken packages is lost

and the license becomes a by-the-drink-only license. A dispenser's license that is purchased and remains in the same local option district is the most flexible, because the buyer can sell either by the drink or by the package or both. Local option districts may also vote not to allow licenses to be transferred into the district, further limiting available licenses and increasing the private market value of licenses in that district. Dona Ana County is one local option district that has voted not to allow licenses to be transferred in. Ms. Root said there are 128 different local option districts, each with its own rules. Two counties, Curry and Roosevelt, have voted to be "dry", i.e., not to allow alcohol sales at all.

In addition, she noted, the population limitation itself is also an issue because New Mexico as a whole is losing population. New Mexico currently has more licenses than are strictly allowed by the population; the state population would have to be more than 2.8 million to add one new license. There are no provisions for withdrawing licenses once they are issued if the population drops.

Ms. Root further explained that a dispenser's license may be temporarily used at another unlicensed location within its local option district by obtaining a special dispenser's permit (sometimes referred to as a "picnic license"). When a special dispenser's permit is issued, liquor may only be sold on the designated premises and only during the designated times. Special dispenser's permits are usually used for special events such as a festival.

In answer to questions about other kinds of licenses allowing sales by the drink, Ms. Root said that governmental licenses may be obtained for sales or service by the drink for consumption on the premises on specific premises only. Universities, for example, may obtain several governmental licenses for different venues on their campuses, such as different sporting stadiums or arenas. Governmental licenses are not transferable. Certain clubs may also obtain non-transferable licenses for sales or service by the drink for consumption on the premises on specific premises only. The state fair, golf courses and ski areas may also obtain special licenses for sales or service by the drink for consumption on the premises on specific premises only. Ms. Root said that last year, governmental licenses increased by seven and club licenses decreased by two; there were 11 new small brewer's licenses and 10 new small brewer's off-site licenses.

Committee members asked about the recommendations of the Liquor Control Act Task Force. Ms. Root said that the task force's recommendations were presented to the committee, which then formed a working group to consider them, and it was ultimately decided that only consensus recommendations would be proposed.

Liquor Licensing and Its Role in Economic Development

Mike Espiritu, president and CEO, Otero County Economic Development Council and Alamogordo Chamber of Commerce, said that the high cost of obtaining a dispenser's license has a negative economic impact on the greater community because local restaurants can get a restaurant (beer and wine) license but cannot compete with big national chain restaurants for the

dispenser's licenses that would allow, for instance, a restaurant to offer a margarita with an enchilada. Some possible solutions include:

- to allow splitting a dispenser's license when the license is transferred out of the local option district so that by-the-drink sales continue to be allowed in the original local option district;
- to require the license to revert to the state 10 years after purchase, and then it can be sold again; and
- to increase the number of licenses allowable.

Michael Bunt, economic development director, Greater Artesia Development Corporation, told the committee that it is very hard to put economic development deals together that involve liquor licenses because the licenses are so expensive and the prices vary so wildly. For example, he said, he was involved in a commercial real estate development project for a retail center that would be anchored by a restaurant with a full bar. A dispenser's license that could be transferred to Artesia was offered for sale for \$750,000. The seller refused to reduce the price, and the development project cratered because of the cost of the liquor license. Mr. Blunt said that the same license was subsequently sold for \$450,000 and transferred to Albuquerque. He suggested that another option to address the issue would be to impose a \$.25-per-drink tax on sales by the drink and to use the money generated to buy back the licenses. He said something needs to be done because the issue disproportionately affects rural areas versus urban areas and also puts New Mexico at a disadvantage in comparison to surrounding states.

John Waters, executive director, Carlsbad Department of Development, concurred with Mr. Espiritu's and Mr. Bunt's comments. He said that a national franchise restaurant with a full bar business model was looking at locating in Las Cruces, but the liquor license would have been \$750,000. The restaurant located in El Paso instead, where the Texas liquor license is \$1,500 a year. People in the Carlsbad area take their entertainment dollars to Lubbock, Midland and El Paso because of the lack of entertainment options in New Mexico. Mr. Waters added that the population limitation is also a problem because it is too dependent on the federal decennial census. Carlsbad has many more people than the census shows because many oil field workers live in Carlsbad five days a week, but their family homes may be in Texas, so they are counted in Texas. Carlsbad also has a lot of tourists. Mr. Waters said the actual population can be more accurately estimated by reference to water usage instead of the census. Mr. Waters acknowledged that the owners of the licenses have an investment in the licenses, but he said their interests need to be balanced with the interests of the communities as a whole.

Liquor Licensing Policy Revisions: Industry Perspective

Carol Wight, CEO, New Mexico Restaurant Association (NMRA), told the committee that she was in attendance primarily to answer questions rather than make a presentation but that the liquor license issue is a "box of Pandoras" that needs to be opened. She said that the NMRA has 4,000 members, many of whom would very much like the opportunity to offer spirits by the drink as well as beer and wine.

Maurice Bonal, liquor license owner and broker, asserted that liquor license quotas do not create a monopoly because the owners of the licenses are individuals who have worked hard to buy the licenses and pay the banks back and who work hard to keep the licenses. He said the licenses are a giant asset that are personal property for which the owners must be compensated if the state in any way acts to reduce or eliminate their value. He added that there would be a huge chain reaction of affected owners and lessees who are business owners and employers if the value of the licenses just goes away. His offered solution to the situation where there are not enough licenses is for the state to buy back the existing licenses at fair market value and establish a new licensing scheme. He noted that in McKinley County, the Navajo Nation is exploring purchasing all of the licenses and holding them.

Mr. Bonal referred to himself as the historian of liquor licenses because his family has owned licenses for decades and he has been involved in revisions to statutes and rules during that time. He said that the reason the laws have been amended to allow transfer of licenses between local option districts is because the small business owners in rural areas cannot make enough money and want to be able to sell their licenses to bigger owners in cities. He provided a handout, available at Item (5).

Ruben Baca, lobbyist, New Mexico Grocers Association and Petroleum Producers Association, clarified that the trade organization he represents is primarily made up of gas station convenience stores. Most of the members have retailer's licenses, but some have dispenser's licenses that were transferred within the local option district. The members are concerned about any change the state might make that would reduce the value of their licenses.

John Thompson, lobbyist, Alcoholic Beverage Wholesalers, referring to his handout at Item (5), strongly supports a three-tier system of licensing that separates manufacturers (tier 1); wholesalers, importers and distributors (tier 2); and retail outlets like liquor stores, bars or restaurants (tier 3).

Jerry Walker, president and CEO, Independent Community Bankers Association of New Mexico (ICBA/NM), introduced Greg Marrs, chairman and CEO, First American Bank, and Jon Hitchcock, president and CEO, Pioneer Bank. Mr. Walker said that the ICBA/NM does not have a position on the issuance of liquor licenses but that the ICBA/NM has surveyed its 41 New Mexico-headquartered members to find out more about the use of liquor licenses as the subject of or collateral for loans. Referring to his handout at Item (5), he informed the committee that 21 of the 25 respondents said that they make commercial loans to retail liquor establishments or restaurants that serve alcohol, and of those, only one does not accept the liquor license as collateral. Twelve of 20 banks had issued loans of over \$500,000, one had issued a \$5.5 million loan, and seven banks had issued loans between \$100,000 and \$500,000 that were collateralized by liquor licenses. If more licenses were issued, banks expect that the stated values of the existing licenses that are used for collateral would be diminished, possibly leading to bank regulators "classifying" those loans, i.e., requiring additional protections to ensure repayment and enacting stricter underwriting standards. However, 17 of the 24 respondents said they would

consider making loans to liquor retailers based solely on the strength and character of the principal(s), along with consideration of the furniture, fixtures and property, if liquor licenses were not viable collateral. Fifteen of 23 respondents favor increasing the number of retail liquor licenses in their market areas.

Responding to a question by a committee member about the feasibility of a new license that would allow sales of products only made in New Mexico, Mr. Bonal stated that the more licenses of any kind there are, the less each individual license is worth. He affirmed that he would oppose any proposed legislation that would increase the number of licenses.

A committee member noted that the liquor licenses have appreciated in the private market and wondered if they also depreciate. Mr. Bonal responded that owners can depreciate the licenses on tax returns, but many, himself included, do not depreciate them for tax purposes. He also asserted that even when a license is fully depreciated for tax purposes, when the license is sold, the full value is recaptured for purposes of setting a sale price.

A committee member asked how bankers value a liquor license for collateral purposes. Mr. Marrs answered that they are valued similar to real estate by using comparable sales.

A committee member asked if the NMRA has a position on the issue of availability of dispenser's licenses. Ms. Wight responded that the NMRA does not and commented that the solution may be to open restaurant licenses to allow the sale of distilled spirits as well as beer and wine. She observed that, in 1981, a statute was passed to buy back dispenser's licenses over 10 years, but that statute was found unconstitutional. Mr. Bonal added that the 1981 statute also changed the law to permit interlocal transfers; restaurant licenses were created the same year. Answering a committee member's question, Ms. Wight said there are currently approximately 600 restaurant licenses.

Approval of Minutes

The committee approved the minutes of the July 13-14, 2016 and August 3-4, 2016 meetings with no amendments or objections.

Building a Smarter Energy Infrastructure

Sayuri Yamada, director of New Mexico governmental affairs, Public Service Company of New Mexico (PNM), introduced Matthew Jaramillo, federal and state government affairs, PNM. Mr. Jaramillo, referring to his handout at Item (6), said that the current rooftop solar installations feed electricity back into the grid, but PNM's metering is still mechanical, providing manual metering and progressive rates. Some customers have been upgraded to electronic meters, but the smart meters that work best with solar rooftop installations have not been installed anywhere. Mr. Jaramillo warned that the growth of the solar leasing business in New Mexico has raised a number of consumer protection concerns. He explained that a customer who leases solar equipment often unknowingly deals with up to four different companies: the marketer, the seller, the financier and the installer; and each company disclaims responsibility for

the others' performance. He also emphasized that unless a solar customer is completely disconnected from the grid, the customer remains a PNM customer and would always have a PNM bill in some amount, regardless of the promises of the solar marketers. He said that in some situations, payments to the solar providers for electricity are higher than PNM's bills, and customer savings over time flatten out instead of continuing to increase. Some other customer protection concerns include: over-building for the application, i.e., installing more collectors than are necessary for the size of the building; damage to roofs and other parts of the building; and dangerous, improper installations. Mr. Jaramillo proposed a working group or task force that includes representatives of the solar industry, utilities, Office of the Attorney General, Realtors, contractors and insurance companies to develop proposals to create some standard consumer protections for solar customers. He noted that PNM is receiving 50 to 100 applications a week for solar installations and cannot process them fast enough. Answering a committee member's question, he said that no state regulators have jurisdiction over solar installers, so the only remedy for damages caused by defective or improper installations is to sue the contractor. He informed the committee that PNM is working on a proposal for legislation to address consumer protection concerns.

Public Comment

There was no public comment.

Recess

The committee recessed at 3:30 p.m. for a tour of the Dean Baldwin Painting, LP, aircraft painting facility at the RIAC (formerly Walker Air Force Base).

Friday, September 2

Call to Order — Introductions

The committee reconvened at 9:05 a.m., and Representative Little welcomed members of the committee, staff and guests to the meeting. Committee members and staff introduced themselves.

MainStreet Program Successes in Clovis and Lovington

Lisa Pellegrino-Spear, president, New Mexico Coalition of MainStreet Communities, provided an overview of the New Mexico MainStreet programs, which are downtown and historic district revitalization programs in 27 communities. The programs are funded by a combination of private and public investments. The Economic Development Department's New Mexico MainStreet Program works throughout the state to help affiliated organizations create an economically viable business environment that retains local cultural and historic resources. Since the program began in 1985, the private sector has invested \$43.16 for every \$1.00 of public money invested in MainStreet programs. Reviewing her handout at Item (7), "NMMS District Stats FY16", Ms. Pellegrino-Spear highlighted the 18 business expansions and 142 net number of new businesses resulting from MainStreet investments.

Tabatha Lawson, executive director, Lovington MainStreet, informed the committee that the technical advice services provided by the New Mexico MainStreet Program associates to Lovington MainStreet have included consultations with associates for:

- urban design and planning for locating a new judicial complex;
- promotions for rebranding, including a new website, social media platforms and a variety of print materials;
- economic vitality to coordinate and host a business planning workshop; and
- design assistance to develop architectural renderings for a new locally owned brew pub.

Ms. Lawson said New Mexico MainStreet also helped Lovington MainStreet use LEDA funds to acquire and refurbish the historic Lea Theatre, which now shows movies every weekend and employs one full-time manager and eight part-time staff members.

Ms. Pellegrino-Spear related that New Mexico MainStreet helped Clovis MainStreet acquire and renovate the Hotel Clovis by leveraging federal and state funds to turn the historic hotel into apartments, which, with others, now offers 123 apartments in downtown Clovis, giving Clovis a truly livable downtown. The hotel, which is listed on state and national historic registers, sat vacant for nearly 30 years. Another Clovis project, under way now with capital outlay funding and the assistance of New Mexico MainStreet, is the railroad park, which serves as the entry to the downtown and historic railroad district and includes a museum. Additional grant funding through the Department of Transportation has allowed Clovis to improve pedestrian rights of way with new wheelchair-accessible sidewalks for three continuous blocks downtown. She emphasized that investment in revitalizing Clovis's downtown has helped to create a climate of confidence for private business and property owners and that Clovis has 99 new businesses and 247 net jobs as a result.

Ms. Pellegrino-Spear asserted that, in these tough economic times, investing in communities through MainStreet technical assistance and capital outlay funding is more important than ever. She said that, because of budget cuts in fiscal year 2017, there is currently not adequate funding to sustain or add new MainStreet America communities; to sustain existing or add new state-authorized start-up arts and cultural district communities; or to sustain or add new frontier community initiatives. She requested that the legislature restore \$350,000 that was cut from the New Mexico MainStreet operation budget for FY 2017 so that Bernalillo, Questa, Ruidoso and Taos can be brought into the MainStreet accelerator program; eight frontier communities can be added; and eight historic theaters can be renovated. In addition, she requested \$5 million in state funding for public infrastructure in MainStreet communities such as sidewalks, drainage and night lighting. She referred to her handout at Item (7), "Public Infrastructure Projects, FY 17-19", for a list of the projects. She said that all projects on the list are shovel-ready and are necessary to repair and improve aging and deteriorating public infrastructures in many rural downtowns.

Improving Access to Dental Care

Colin Baillio, director of policy and communications, Health Action New Mexico, thanked Dr. Thomas Schripsema, New Mexico Dental Association (NMDA), and Catherine Sovereign, board president, New Mexico Dental Hygienists' Association, for the role they played in finding common ground on the issue of dental therapists. He began by providing background information on the topic. Thirty-two of 33 New Mexico counties are federally recognized dental health professional shortage areas, with rural areas being disproportionately impacted by dental professional shortages. He said the federal Centers for Disease Control and Prevention recently found that nearly 53 percent of New Mexicans have advanced gum disease — the highest level in the nation. According to Department of Health data, one in three third-graders in New Mexico has untreated dental disease. Data collected by New Mexico Health Resources show that three out of four available dental hygienist positions go unfilled because of the lack of qualified dental hygienists. He told two anecdotes illustrating the economic impact of the shortage of dental professionals. A woman who had never seen a dentist until she was in her twenties said she had difficulty finding a job because her teeth were in such bad shape; she said that a lot of potential employers assume that she is an addict because of the way her teeth look, even though she had never used drugs. The other anecdote was about a seventh-grader who dropped out of school because every tooth in his mouth was rotting, and he was failing because he was in such intense pain. When adults and children have untreated dental disease, Mr. Baillio said, they miss work and school, causing immediate and long-term impacts on the economy.

One component of a multifaceted response to the issue of the shortage of dental professionals in New Mexico is the licensure of dental therapists, Mr. Baillio continued. Dental therapists provide basic preventive and restorative care, freeing dentists to provide more complex procedures. Minnesota, Maine and Vermont all license dental therapists, and many other states are considering licensing dental therapists as well. Tribes in Alaska have used dental therapists for years, and tribes in Washington and Oregon have recently hired dental therapists. Dental therapists can have a positive impact on both the health of New Mexicans, particularly in rural areas, and on the economy as a whole. If New Mexico establishes training programs in its community colleges before other states do, New Mexico could be a hub for training dental therapists from across the country. Santa Fe Community College, Southwestern Indian Polytechnic Institute, Western New Mexico University, Northern New Mexico College and Eastern New Mexico University have all expressed interest in establishing dental therapist training programs.

Ms. Sovereign, referring to her handout at Item (8), "Improving Access to Dental Care", said that the NMDA and the New Mexico Dental Hygienists' Association supported Senate Bill 217 and House Bill 191 (both in 2016) that would have improved access to dental care by:

- creating an Access to Dental Care Subcommittee in the Legislative Finance Committee;
- requiring a school entry dental exam;
- requiring the state dental director to be a dental professional; and
- creating a license for dental therapists.

The bills did not receive a governor's message in the 2016 session, but the groups plan to introduce them again in the 2017 session.

Dr. Schripsema reviewed his handouts at Item (8), "Health Care Workforce Committee Report" and "NMDA Report". He highlighted the recommendations that students have a dental exam prior to entering school and that the Department of Health dental programs be headed by a dental professional. He stated that although data show that there is not a shortage of dentists in New Mexico, and that in fact there is an overall oversupply, dentists are concentrated in urban areas where they can earn enough money in their practices to pay back huge student loans, leaving rural areas underserved. For that reason, and because the NMDA's concerns regarding training, practice and supervision of dental therapists have been addressed, the NMDA supports the creation of a license for dental therapists in New Mexico.

There was general discussion about the application of the various provisions of the bills, and a committee member noted that the fiscal impact reports for the bills included significant issues regarding training and scope of practice of dental therapists.

Industrial Hemp

Representative Gomez introduced Doug Fine, journalist, author and farmer, who began by demonstrating a number of products made from industrial hemp. Mr. Fine told the committee that he raises goats in New Mexico and industrial hemp in Vermont; the industrial hemp farm pays for the New Mexico goat farm.

Mr. Fine explained that industrial hemp and marijuana are separate subspecies of the cannabis family. All cannabis plants contain unique compounds called cannabinoids. Research has revealed more than 60 different cannabinoids so far, but tetrahydrocannabinol (THC) is the most well-known and is credited with causing the marijuana high. The primary difference between hemp and marijuana is that, while marijuana plants contain high levels of THC, hemp contains very little of the psychoactive chemical.

Mr. Fine related that Section 7606 of the federal 2014 Farm Bill [Agricultural Act of 2014, formerly the "Federal Agriculture Reform and Risk Management Act of 2013", which authorizes nutrition and agriculture programs in the United States for 2014-2018] defines industrial hemp as "the plant *Cannabis sativa* L. and any part of such plant, whether growing or not, with a delta-9 tetrahydrocannabinol [THC] concentration of not more than 0.3 percent on a dry weight basis", and authorizes institutions of higher education or state departments of agriculture in states that legalize hemp cultivation to conduct research and "agricultural pilot programs" that "study the growth, cultivation, or marketing of industrial hemp". Sales and marketing of hemp raw materials are therefore allowed under the research and pilot programs authorized in Section 7606, and Mr. Fine said that 31 states now allow the cultivation of industrial hemp for food, fibers, fabric, building material, batteries, biomass for energy production, plastic and nutraceuticals, with no problems with federal laws or regulators. According to Mr. Fine, hemp cultivation and products are a \$1 billion industry in Canada.

Representative Gomez related that, according to the Colorado Department of Agriculture, there are 275 hemp growers in Colorado. To ensure that THC levels are within the acceptable range, growers pay for state inspectors to test the crops for THC levels before the harvest. Colorado hemp growers are making \$25,000 to \$50,000 per acre. Representative Gomez noted that in New Mexico, hemp can be imported to make products, and he asserted that New Mexicans should be able to grow it as well. He said that industrial hemp is ideal for cultivation in New Mexico because it grows fast, uses less water (half as much as wheat and one-fourth as much as alfalfa) and is more valuable than any other crop. He recounted that the 2015 Industrial Hemp Farming Act [Senate Bill 94] passed with large majorities in both chambers but was vetoed by the governor; in 2016, two versions of the bill were introduced, but neither passed. He plans to reintroduce the bill in 2017. A committee member recalled that the governor had three main objections to the bill: that it conflicted with federal law, that the similarity in appearance between industrial hemp and marijuana would make it difficult for law enforcement operations against marijuana and that the bill would allow commercial production of industrial hemp. Jerry Fuentes, co-owner of BioRegional Strategies, observed that other states have enacted regulations that satisfactorily distinguish industrial hemp from marijuana and urged the New Mexico Legislature to pass the bill again.

Answering committee members' questions, Mr. Fine said that the growing season for industrial hemp is 110 days and that in southern New Mexico, two crops a year could be raised. He said that Canada has allowed both industrial hemp and marijuana cultivation for 20 years and has had no cases of confusion between the crops.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the fourth meeting of the ERDC for the 2016 interim adjourned at 12:11 p.m.