

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

**August 18, 2016  
Gadsden Independent School District Administrative Complex  
4950 McNutt Road  
Sunland Park**

The first meeting of the Jobs Council Subcommittee for the 2016 interim was called to order by Senator Mary Kay Papen, co-chair, at 11:19 a.m. on August 18, 2016 in the Gadsden Independent School District Administrative Complex in Sunland Park.

**Present**

Sen. Mary Kay Papen, Co-Chair  
Rep. Don L. Tripp, Co-Chair  
Vicente Alvarado  
Sen. William F. Burt  
Sen. Pete Campos  
Sen. Carlos R. Cisneros  
Jason Espinoza  
Rep. Bealquin Bill Gomez  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Yvette Herrell  
Rep. Larry A. Larrañaga  
Rep. Bill McCamley  
Brian Moore (for Steven Kopelman)  
Sen. Michael Padilla  
Sen. William P. Soules

**Absent**

**Staff**

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)  
Jeff Eaton, Research and Fiscal Policy Analyst, LCS  
Mark Edwards, Drafter, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Thursday, August 18**

**Welcome**

Jerry Pacheco, president of the Border Industrial Association (BIA) and executive director of the International Business Accelerator (IBA), welcomed the subcommittee to New Mexico's border with Mexico and stated that it was important to the region for legislators to see the growth in the region firsthand. He then introduced Efren Yturalde, the superintendent of the Gadsden Independent School District (GISD). Superintendent Yturalde welcomed subcommittee members to the GISD boardroom, noting that the building had originally been a small hospital.

**Transportation Infrastructure at the Santa Teresa Port of Entry**

Homer Bernal, international programs planner, Department of Transportation (DOT), talked about the growing commercial and public demand for improved and expanded transportation systems in the border region and the planning needed to meet that demand. To frame the factors creating the demand, he stated that two major international freight corridors have been, or are being, built and expanded within the United States (U.S.) and Mexico (see page 10 of the presentation handout), as follows.

— **United States' Union Pacific (UP) Intermodal Rail Yard.** Two traditional systems for international shipping between the Pacific Ocean and the Gulf of Mexico are Interstate 10 (I-10) between the ports of Long Beach, California, and Galveston, Texas, and the somewhat parallel UP rail line between Long Beach and the Port of New Orleans. When UP opened its intermodal facility in spring 2014, it greatly expanded the potential for both connections between the Chihuahuan maquiladora industries and these east-west shipping routes, as well as for north-south commerce between the U.S. and Mexico.

— **Mexico's Northern Economic Corridor Plan.** Mexico is committing substantial resources to expanding its transportation infrastructure for commerce. Mr. Bernal pointed out that as part of a developing corridor between Mexico's port at Mazatlan and Ciudad Chihuahua, construction on the \$4 billion Durango-Mazatlan highway bridge is complete.

Tying into these national corridors, Mr. Bernal said that each of the border states has been developing cross-border transportation master plans. He said that Mexico participated in the development of these plans at its federal, state and local levels. He noted that California completed its plan in 2008, that Texas has three regional plans and that Arizona recently completed its plan. He named the three main objectives of the New Mexico-Chihuahua border master plan, which has just been completed: 1) to increase the understanding of land ports of entry (LPOEs) for development planning; 2) to create a method for prioritizing LPOE development and related transportation infrastructure; and 3) to institutionalize cross-border communication on transportation development.

Mr. Bernal pointed out that the Santa Teresa-San Jeronimo LPOE serves as the nexus for both U.S.-Mexico border freight shipment corridors. He enumerated several local developments within the cross-border region and each one's associated effect on the area's transportation system.

— **UP Intermodal Rail Yard.** The intermodal facility has generated a large increase in commercial truck traffic. Northbound truck traffic rose to more than 102,000 trips at the Santa Teresa LPOE in 2015. Mr. Bernal noted that the overweight zone created by the legislature greatly helps commerce by relieving shippers from having to divide short-distance cross-border shipments among smaller trucks. However, the corridor for this traffic, State Highway 136 (also known as the Pete V. Domenici Memorial Highway), needs a complete replacement of asphalt and reinforced concrete. Anticipating a limited funding stream, the DOT plans to do this in three phases starting in summer 2017. The replacement could be completed in a single phase if funding is available.

— **Los Santos Industrial Parks.** Los Santos is the name for combined cross-border development that includes Santa Teresa, New Mexico, and its sister communities on the Mexican side, San Jeronimo and San Jose del Sol. The growing industrial job base in Los Santos is creating more traffic from commercial trucks and commuters.

— **Foxconn/U.S. Department of Homeland Security Public-Private Partnership (PPP) and the U.S. Customs and Border Protection Pilot Project.** These initiatives involve a PPP to place U.S. customs agents within the large Foxconn computer manufacturing facility in San Jeronimo; extending commercial vehicle border inspection hours; and developing mutual recognition agreements between U.S. and Mexican customs agencies.

— **International Port of Entry for Privately Owned Vehicles.** Traffic at the Santa Teresa LPOE includes pedestrian pick-up and drop-off and northbound vehicle traffic, which, not counting commercial trucks, reached nearly 560,000 trips in 2015.

— **Texas DOT's Border West Project.** The Santa Teresa-Sunland Park area is contiguous with El Paso, Texas. Santa Teresa and Sunland Park are served by three main arterial roads that roughly form a triangle:

(1) the Pete V. Domenici Memorial Highway on the west becomes El Paso's Artcraft Road at the border and directly connects the Santa Teresa LPOE to I-10 on the north side of El Paso;

(2) McNutt Road on the east running from a connecting point with south El Paso up the New Mexico-Texas border to the Pete V. Domenici Memorial Highway; and

(3) Airport Road, which connects McNutt Road to the Pete V. Domenici Memorial Highway on the south.

Mr. Bernal said that Texas' Border West project is under construction and will eventually connect east and west El Paso. However, the construction is causing a traffic bottleneck on Artcraft Road and requires closure of parts of McNutt Road for eight months. Commercial vehicles are rerouting to other streets to get to I-10, and those vehicles are creating a lot of congestion and wear and tear on the streets.

Mr. Bernal noted that the Columbus border crossing is the only one in New Mexico that is open 24 hours a day, but the expectation is that the hours at the Santa Teresa LPOE will be extended. He said that the recently completed Chihuahua Border Master Plan is intended to anticipate the developing transportation needs along the New Mexico-Chihuahua border from the Antelope Wells border crossing to the Santa Teresa LPOE. The plan includes the 55-miles-per-hour speed limit on roads within 10 miles of each side of the border.

In addition, the DOT received a federal Transportation Investment Generating Economic Recovery grant for a focused study of transportation system needs in the Santa Teresa area. Mr. Bernal said the study, called the Santa Teresa Border Area Transportation (STBAT) Plan, is intended to examine the links between transportation infrastructure and economic development. The STBAT Plan will incorporate county and local information to determine the needs of commuters and businesses, including projected demand for transit services. He said the study should be complete by the end of the year.

The subcommittee then entered into a general discussion, wherein Mr. Bernal responded to questions from subcommittee members. Mr. Bernal said that the STBAT Plan will include both road and rail connections, including anticipated railroad construction on the Mexican side. He further said that there has been a lot of funding for new road construction in Chihuahua, so a road connecting the Columbus-Las Palomas LPOE to the Santa Teresa-San Jeronimo LPOE might be possible. However, he said, Chihuahua just elected a new governor, so funding priorities may change.

Regarding a rail bypass study being conducted by New Mexico's Border Authority and the State of Chihuahua, Mr. Bernal said the idea was to move freight shipments out of the urban centers of El Paso and Juarez to the more open land in San Jeronimo, with a connection to the UP rail line, which links with other northern connections. He said that the study has been in the works since 2008, but implementation will require environmental analyses. He said he did not know whether the increased cross-border freight shipments would require additional intermodal loading facilities elsewhere in New Mexico. Planning for additional facilities would require ongoing dialogue with the business community.

Summarizing his presentation, Mr. Bernal said that the subcommittee should look at the Santa Teresa LPOE within both a local framework and an international framework. Within the local framework, he suggested five key points to remember:

(1) the Santa Teresa LPOE has two big magnets: the Foxconn computer factory in Mexico and the UP intermodal rail yard. These businesses are focused on distribution and intermodal needs;

(2) the business community is constantly monitoring and comparing cross-border wait times between the Bridge of the Americas and the Zaragoza crossings in El Paso and Santa Teresa. By late September, a binational study sponsored by the Federal Highway Administration (FHA) should be completed. The FHA is looking at customs inspections, weigh stations and other potential causes of delays at border crossings;

(3) the DOT is studying potential construction of a new trucking route that will shorten the wait time to get from the Santa Teresa LPOE to I-10. Alternatives include connecting to and expanding New Mexico State Road 404 and building a direct road to I-10 on the west side of Las Cruces;

(4) the expanded overweight zone, which allows for truck loads using the 96,000-pound limit used by Mexican truckers instead of the 80,000-pound limit used in New Mexico, is working. It is bringing in a lot more business. However, the expansion of the area and increased traffic are placing greater demand on local road systems and the DOT; and

(5) New Mexico needs to be aware of the increased development of transportation infrastructure in Mexico, including the extension of roads from Juarez to San Jeronimo and routes directly from Ciudad Chihuahua to San Jeronimo.

Regarding the international framework, Mr. Bernal directed the subcommittee's attention to the information on pages 13 and 14 of the DOT handout titled "Economic Competitiveness" and "International Freight Corridor". He noted that the figures from the U.S. Census Bureau need to be updated but that in 2012, trade shipments by land between Mexico and the U.S. reached \$500 billion after four years of growth. He noted, too, that on a broader scale, Santa Teresa sits directly in the middle of a major international logistics route: the I-10/UP rail line freight corridor, which competes with the Panama Canal for shipping between the Pacific and Atlantic oceans.

In conclusion, Mr. Bernal directed the subcommittee's attention to the last page of the DOT handout titled "Next Steps", which lists the projected costs of the various studies and projects outlined in his presentation.

### **Overview of the Santa Teresa Project**

Representative McCamley opened the panel presentation by stating that Santa Teresa has become the ninth-largest trade center in the country. He said that the border industrial area is producing 200 to 500 jobs a year, which constitute one-third of the target set by the Jobs Council for new jobs in Dona Ana County. He highlighted that these jobs numbers include only the jobs created in the industrial parks — not those from their multiplying effects.

Representative McCamley said that to continue to grow, the border industrial area needs expansion; improvements to its transportation infrastructure (roads, rail connections and airport facilities); improvements to its water and wastewater infrastructure; and an extension of the hours that the Santa Teresa border crossing is in operation. He said that the Santa Teresa border crossing closes at 8:00 p.m. each night, while the El Paso border crossing is open 24 hours a day. Extending the Santa Teresa hours to midnight would cost \$1 million a year, Representative McCamley said. The federal government would allow a PPP to pay that cost, and one company has already pledged to cover one-fourth of the cost. He expressed confidence that if the state would pledge \$500,000, additional private-sector contributions would become available to cover the remaining cost. Additionally, he said, border crossings are a federal responsibility. He conjectured that if the hours were extended for a year, demonstrated demand for the extended hours would prompt the federal government to assume the cost to continue extended hours as it does for other border crossings.

Mr. Pacheco and Joshua Orozco, research specialist, IBA, gave a presentation on the potential created by Santa Teresa to diversify New Mexico's job market through trade (see the handout titled "Santa Teresa-New Mexico's Strategic Advantage"). Mr. Pacheco noted that, for 25 years, he has been predicting that Santa Teresa would become a major jobs creator, which it has now become. He highlighted six points that he asked subcommittee members to take away from the meeting's presentations:

(1) Santa Teresa in particular, and New Mexico in general, have geographically strategic advantages within international trade logistics routes;

(2) Santa Teresa is already growing. The question is how to maximize its growth, not whether to gamble on hopeful projections;

(3) Santa Teresa's companies supply components to the maquiladora industries. Businesses across New Mexico should look for opportunities to meet the market demands for raw materials and subcomponents created by Santa Teresa's companies;

(4) the developing binational community is more than simply industrial development; it will become a world-class city based on sustainable living;

(5) Chihuahua has a dynamic and thriving economy. New Mexico can use its proximity to Chihuahua as a major economic driver; and

(6) the private sectors in Santa Teresa, San Jeronimo and San Jose del Sol are working together to create a one-of-a-kind binational master-planned community, Los Santos, that will attract investment from around the world.

Expanding on the concept of Santa Teresa's strategic location, Mr. Orozco noted that Santa Teresa is on the Long Beach-to-New Orleans rail and highway freight corridor and is

positioned to meet two new changes in the shipping industry: 1) the changing pattern for shipments of Asian goods into the U.S.; and 2) the growth of Mexico's manufacturing industry.

Mr. Orozco noted that Long Beach has traditionally been the major port of entry for goods from the Pacific Rim countries. He said that California has used the Long Beach nexus as the basis to develop a whole industry further in-state to warehouse and modify goods coming off boats before those goods are shipped to customers. However, the port has become a bottleneck in shipping logistics. To bypass the bottleneck, increasingly, goods are being shipped to Mexican ports for later trans-shipment to the U.S. In essence, as Mexico builds transportation systems from the port of Mazatlan and elsewhere to San Jeronimo, the Santa Teresa port of entry is becoming an inland port. If New Mexico can develop a warehousing and modification industry to capture just 1% to 2% of the market currently connected to Long Beach, that industry would be worth billions of dollars. However, he noted that a chief competitor for this alternative shipping market is Houston, Texas. Houston has significantly remodeled its port in anticipation of the recent expansion of the Panama Canal.

Mr. Orozco next explained his second key point — Mexico's growing manufacturing sector. He noted that shipping costs are causing many companies to relocate their factories from countries in Asia to Mexico to be in proximity to the U.S. market. In that respect, Santa Teresa can be a gateway for New Mexico companies to supply Mexican industries. In particular, Chihuahua, having exported \$45 billion in goods in 2015, is one of Mexico's manufacturing hubs. If New Mexico creates the required transportation infrastructure, it would provide the shortest supply chain to Chihuahua's industry and become the natural distribution point for Mexican goods entering the U.S.

Mr. Pacheco expanded on the concept of New Mexico's supplying Mexican markets and on the existing interconnection between the economies of New Mexico and Chihuahua. He stated that of New Mexico's \$4 billion export industry, \$1 billion to \$1.5 billion is derived from the industrial base currently active in Santa Teresa. Furthermore, he said, Santa Teresa's exports have increased by 90% in 2015 and by 40% in just the first quarter of 2016. He pointed to a map in his handout showing New Mexico's likely Mexican market area, which includes most of Chihuahua and northern Durango. He said Santa Teresa is supplying automotive parts to Mexico but is purchasing most its supplies from out of state. He said that the IBA so far has had contact with business communities in Albuquerque, Hobbs, Clovis, Roswell, Lovington, Santa Fe and Espanola and is working to reach others in the state. He is not guaranteeing those business communities a sale but is working to guarantee them a true open door to the companies in Santa Teresa. He argued that if businesses around the state can establish themselves as the supplier base for Santa Teresa, they could then use Santa Teresa's existing business relationships to reach more than 400 maquiladoras within the Chihuahuan-Durango market.

Speaking on the interconnection between the Mexican and American border economies, Mr. Pacheco stated that for every 10 jobs created in the maquiladoras, three jobs are created on the U.S. side of the border. He showed a Federal Reserve Bank of Dallas graph depicting trade

at the Santa Teresa LPOE, which has grown dramatically. Mr. Pacheco said that New Mexico's exports to Mexico have increased almost 350% in the past three years. He also noted that Las Cruces is credited for leading the nation's export growth in 2014, but much of that growth should have been credited to Santa Teresa. Finally, to punctuate New Mexico's connection to the Mexican economy, Mr. Pacheco compared the state's overall exports to Mexico with Intel Corporation's estimated worldwide exports for its manufacturing facility in the state. He said that Intel's exports now account for between 30% and 35% of the state's total exports per year. However, other companies' exports to Mexico now collectively account for 45% of the state's total annual exports.

Turning to the development within Santa Teresa, Mr. Pacheco said that a fourth new industrial park has been built in this past year. Companies are now moving in, and 500,000 square feet of space will be in use in the park by February. For comparison, he noted that the huge Foxconn factory in San Jeronimo is 1.5 million square feet. He estimated that Santa Teresa could add between 300 and 350 new industrial jobs per year if the needed infrastructure, marketing and extended port-of-entry hours were in place. He projected that the Santa Teresa LPOE could become the top port for truck traffic on the border if the operating hours were extended. He said that the federal government pays for 24 hours of service at the El Paso port of entry but will not pay for extending the hours at Santa Teresa. He said that a medium- to long-term solution for local infrastructure is to create a tax increment development district (TIDD). However, Mr. Pacheco noted that a TIDD might raise objections because of the concurrent loss of revenue to the state.

As a final note, Representative McCamley said that expanded housing and education opportunities in New Mexico have changed the makeup of the workforce in Santa Teresa. He said that, in the past, the workforce was made up of about 40% New Mexico residents and 60% Texas residents. Now, that proportion is approximately 53% to 47%. He noted that 2,000 new housing units have been approved for construction in Santa Teresa. He stated that as more housing becomes available, the percentage of New Mexico residents in the workforce is expected to rise.

The subcommittee then began a general discussion. Responding to a subcommittee member's question about creating a modification and warehousing district similar to the one connected to the Long Beach nexus, Mr. Pacheco said that the fundamental business advantages are in place. In simple terms of cost, companies are currently renting 20 million square feet in what is known as California's Inland Empire at \$14.00 to \$16.00 per square foot. In comparison, rental space in Santa Teresa is \$5.00 per square foot. A second market advantage for the district is Mexico's internal industry, which can entice companies to build new facilities in Santa Teresa or Los Santos. He stated that business recruitment to the area is primarily dependent on marketing and that marketing materials will be ready within the next two to three months.

A subcommittee member noted that Chihuahua's industry runs 24 hours a day and asked whether funding through the Local Economic Development Act (LEDA) could be used to



support a PPP for extending the port-of-entry hours. It was noted that LEDA funds are constitutionally limited to brick-and-mortar projects. A subcommittee member suggested that a constitutional amendment might be necessary to allow LEDA funds to be used for border operations.

In response to other questions from the subcommittee, Mr. Pacheco noted that national groups are looking at developing liquified natural gas filling stations for freight trucks along the border; that the UP intermodal facility will be classified as an inland port; and that most of the BIA members are in favor of the international trade agreements like the Trans-Pacific Partnership because they standardize regulations and open new markets. He also noted that the North American Free Trade Agreement was a foundational element for Santa Teresa becoming a reality.

Turning to subcommittee questions about workforce training and infrastructure needs, Mr. Pacheco said that Dona Ana Community College is working with industry to develop targeted training courses. The greatest demand is for courses in English and Spanish as second languages, plant management, welding and manufacturing. As a separate issue, Mr. Pacheco said that a market study is being conducted on the need to expand the Santa Teresa airport and add a crosswind runway. He said that the funding is in place to plan and design the expansion.

#### **Overview of the Binational Community: Santa Teresa, San Jeronimo and San Jose (Los Santos)**

Chris Lyons, president, Paseo del Norte Limited Partnership, noted that this was the first time all of the major landowners for the Los Santos master-planned community have been on the same panel for a presentation. Octavio Lugo and Carlos Hernandez, both with San Jeronimo Services, Hildeberto Moreno, regional manager for IDI Gazeley, and Keith Boone, chief executive officer for Indesa, joined Mr. Lyons on the panel.

The panel described the economic potential of Los Santos and plans for its development. Los Santos combines the developments of Santa Teresa on the U.S. side of the border and San Jeronimo directly to the south and east of the Foxconn facility and San Jose del Sol immediately adjacent to San Jeronimo on its east side on the Mexican side. Mr. Moreno noted that it took 40 years and \$20 million to turn the binational industrial center into a reality, and now the developers are in a position to attract California warehousing companies to New Mexico. He stated that the combined landowners have prepared a binational community master plan for Los Santos that the governors of New Mexico and Chihuahua have approved. He told the subcommittee that IDI Gazeley is marketing the community to businesses as a convergence of an established automotive industry in Chihuahua and is an excellent center for distribution, particularly by rail, to locations across the U.S. He said that if air cargo capacity is added, Santa Teresa would be similar to the alliance project in San Antonio.

Mr. Lyons first remarked that Santa Teresa's and the UP facility's land was federal land until 1985, when Charlie Crowder arranged a land swap with federal agencies to create the land

base for development. He showed slides depicting the rail access industrial parks within Santa Teresa and the facilities of companies that have moved into the parks (see handout titled "Los Santos: Bi-National Community").

Mr. Lyons then spoke of plans for residential development in Los Santos. He said that planners had looked at successful municipal development in arid and semi-arid locations in Mexico, Spain and Arizona. With those examples in mind, the goal is to develop a sustainable community with high-density housing, central courtyards or plazas for shade, walkable communities with service businesses or public transportation within a five-minute walk and a wooded destination park, similar to one created in Phoenix, Arizona, for outdoor recreation. Mr. Lyons showed slides of plazas, streets and housing in Guanajuato, San Miguel de Allende and Loreto Bay, Mexico, as examples of the desired outcome. He said that Los Santos already has a large area designated for solar generation, and the aim is to generate energy at up to two megawatts. He said this land would be leased to solar generating firms with leases running from 25 to 35 years.

Mr. Lugo said that San Jeronimo has a six- to seven-year development plan. The first phase was development of the Foxconn campus, connecting the main road to the industrial parks, and developing agreements and procedures with the Mexican customs agency. He said that several facilities are already in place: Foxconn is up to 800 employees; there is a truck stop; and a 40-megawatt substation is operational. In addition, water treatment and sewage facilities have been built. Construction of new housing south of Foxconn will begin next year, along with schools, a fire station and other community services. Finally, he said, the industrial park on the west side of San Jeronimo should be operational by summer 2017.

Mr. Boone told the subcommittee that San Jose del Sol has 2,000 acres east of San Jeronimo and south of Santa Teresa. A master plan was approved in 2010, but Idesa has been waiting for the economy to recover before it begins implementing the plan. He said that with northern Chihuahua now expected to grow by 200,000 new residents over the next five years, development is scheduled to start in 2017. The first development available in San Jose del Sol will be a 200,000-square-foot building, with two projects planned immediately after that. He then introduced Roberto Delgado, the project manager for San Jose del Sol.

Responding to questions from a subcommittee member, Mr. Lyons said that he is trying to use New Mexico companies when possible for construction within Santa Teresa. He said that, aside from the solar farms, most of the properties will be for sale instead of for lease. However, he has not yet figured the sale cost per square foot for housing. He said the goal is to create a "sense of place" for community residents, and costs will need to be kept down to make permanent housing affordable.

## **Update on UP's Santa Teresa Project**

Ivan Jaime, director of public affairs, UP, said that he was somewhat new to the area, having assumed his position in January. He referred the subcommittee to the UP handout titled "Where we have tracks, we have ties".

Mr. Jaime said that within New Mexico, UP has two rail line assets: the southern Sunset line and the northern Tucumcari line. UP has 575 unionized employees in New Mexico with an average annual salary of \$90,000 and a total payroll of approximately \$50 million in direct wages. One-fourth of the employees are in Santa Teresa, and the rest are principally in Vaughn, Deming, Lordsburg and Santa Rosa. UP runs 35 to 50 trains per day within New Mexico, which is equivalent to 15,000 trucks per day or 5.4 million trucks per year. He said that train operators need to like trains and be comfortable handling heavy equipment and that one-third of UP's employees are ex-military.

Mr. Jaime said that UP has large rail yards in Lordsburg and Deming and is actively marketing Santa Teresa to maximize its investment in the multimodal center. Using UP rail lines, he said, companies that decide to be close to their consumer bases can locate on the West Coast; in Kansas City or Chicago in the Midwest; or in the middle, in Santa Teresa. He said that with those choices, UP sees a big potential for growth in Santa Teresa. The company expects to earn a \$2 billion return on its \$400 million investment in its intermodal rail yard.

Mr. Jaime then gave an overview of the outlook for the next year for different types of shipments. He said that the volume of agricultural and industrial products shipments is expected to increase, while shipments of oil and coal are expected to decline.

In response to questions from subcommittee members, Mr. Jaime said that New Mexico has a good business environment but that industry does not want to be caught off guard. A subcommittee member noted that Mr. Jaime's response would indicate that LEDA funds should not be re-purposed for border operations, as that would change the program's incentives for companies and remove consistency.

To expand jobs, Mr. Jaime said, the state and UP should work together to recruit new customers. With respect to the Tucumcari line, he indicated that state and local governments should look at land values, which might be an issue in developing Santa Rosa as a distribution center or in developing Vaughn as a possible trans-shipment location. With regard to the Sunset line, he called the intermodal yard at Santa Teresa the "Atlanta Airport of rail". He remarked that Mexico's new Pacific port will increase shipments to Santa Teresa and noted that anything that comes into the country from south or west of New Mexico will likely need to come through Santa Teresa. He noted that Santa Teresa's biggest competitor might be the Panama Canal because ships can bypass Pacific ports and go to Houston instead. In the short term, Mr. Jaime said, UP has no plans to grow its current facilities, given that freight demand is down; however, shipping at Santa Teresa is holding steady. He said that the major factor in the national downturn is the price of oil, but if market conditions change, UP will reevaluate its growth investments.

### **Small Business Assistance and International Trade Outreach**

The panel consisted of three staff member from the New Mexico Small Business Development Center (SBDC): Russell Wyrick, the state director; Adriene Gallegos, the associate state director; and Jo Ann Garay, director of the SBDC in Las Cruces.

Ms. Gallegos said that the SBDC's mission is not to recruit business but, rather, to help existing small businesses grow and to help new businesses get started. The SBDC provides various forms of technical assistance, including helping in business planning, identifying sources for loans and determining a market base, including out-of-state and international opportunities. She said that the SBDC provides services throughout the state through its 19 separate centers. She also noted that a unique program for the SBDC is the IBA. The SBDC provides over 90% of the IBA's funding.

Ms. Gallegos directed the subcommittee's attention to the items titled "measurable outcomes" and "results of investment" on pages 3 and 4 of the SBDC handout. She said that the SBDC's economic verification system only counts things that have happened, such as jobs created and federal dollars leveraged, and does not include projections. As an example of its accomplishments, she noted that the SBDC has been creating over 1,000 jobs a year, year after year, since 1991.

Mr. Wyrick told the subcommittee that a benefit of having the SBDC based in higher education institutions is an enhanced ability to teach entrepreneurship. Responding to questions from the subcommittee, he said that the SBDC maintains libraries for business research, including a web-based database with links to federal agency resources. The SBDC also provides research customized for individual business concepts. He encouraged subcommittee members to reach out to the SBDC for assistance in identifying obstacles to business development and ways to overcome those obstacles in their particular regions.

Asked about funding levels for SBDC staff, Mr. Wyrick said that while staffing has recently increased, the SBDC is facing the potential of losing many of its seasoned staff.

Representative Tripp requested that the SBDC give a presentation at a future Jobs Council meeting that would identify specific gaps in business production, such as workforce quality, the availability of broadband and access to credit. He also requested that the presentation include possible action items for the legislature.

### **Infrastructure Projects and Issues in the Border Region**

The panel consisted of Brent Westmoreland, executive director, Camino Real Regional Utility Authority; Tommy Trujillo, energy contracts administrator, New Mexico Gas Company (NMGC); Lloyd Hatch, director of business and economic development, NMGC; and Vickie Galindo, director of the customized training program at Dona Ana Community College.

Mr. Westmoreland talked about the water and wastewater system needs within the border industrial area. He said that funding for some of the facilities is only possible through federal programs that require a state or local match. In particular, he noted, construction is anticipated on a wastewater facility that has state funding dedicated to it, and he asked that the legislature not sweep the funds for that plant. Responding to a question from a subcommittee member, he said that 2,000 residential new housing units have been approved for construction in the area, but there is a concern around the utility's ability to provide service for that level of growth.

Walking the subcommittee through his PowerPoint presentation (see the NMGC handout), Mr. Hatch said that the NMGC was purchased by an international energy services company, Emera, on July 1, 2016. He said that the NMGC serves approximately 60% of the state's population and that its service area covers 23 of the state's 33 counties. He told the subcommittee that as part of its purchase agreement, Emera had agreed to build a \$5 million extension of its natural gas pipeline system to the New Mexico-Mexico border. He said that this construction would be funded by Emera's shareholders and would not be part of the rate base. He noted that this pipeline could supply compressed natural gas for freight trucks.

Mr. Hatch then spoke about a market development initiative that the NMGC is proposing to its parent company. Under the proposal, Emera would create a \$10 million market development fund to extend natural gas pipelines to underserved or unserved communities in New Mexico. This program would also be a shareholder expense. Projects applying to the program would need to secure state or local matching funding to be accepted.

Responding to questions from subcommittee members, Mr. Hatch said that projects applying to the proposed market development program would be approved through a competitive application process. He said that only projects to extend natural gas service to existing structures, such as housing, businesses and schools, would qualify under the program and not new or contemplated development properties. Further, he said, individual project funding would be capped at \$1.5 million and all program funds would be spent over five years.

Ms. Galindo then talked about the training courses that Dona Ana Community College has been offering. She said that she had been meeting businesses in the industrial park regarding their needs. In response, the college has created various tailored certification programs, such as a supervisor training course. As another example, she highlighted an "English for Truck Drivers" course that the college is developing.

Responding to questions from the subcommittee, Ms. Galindo said that many of the certification courses are not college credit courses and, therefore, are not eligible for student assistance programs. On the upside, she said, developing a college credit course takes time, whereas the college can quickly create a certification course to meet changing industry needs. Some of these courses can be converted to credit courses once they are established. She said that businesses that see a particular need for customized training are encouraged to consult her office.

She said that the college also works with the Workforce Solutions Department in identifying training needs.

**Adjournment**

There being no further business before the subcommittee, the subcommittee adjourned at 4:02 p.m.