

**MINUTES
of the
THIRD MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**October 9, 2020
Video Conference Meeting**

The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee for the 2020 interim was called to order by Senator Jacob R. Candelaria, chair, on Friday, October 9, 2020, at 9:05 a.m. by video and audio conference via an online platform.

Present

Sen. Jacob R. Candelaria, Chair
Rep. Tomás E. Salazar, Vice Chair
Rep. Alonzo Baldonado
Rep. Micaela Lara Cadena
Sen. Joseph Cervantes
Rep. Jack Chatfield
Rep. Rebecca Dow
Sen. Ron Griggs
Rep. Susan K. Herrera
Sen. Richard C. Martinez
Sen. Michael Padilla
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero

Absent

Sen. Craig W. Brandt
Rep. Harry Garcia
Rep. D. Wonda Johnson
Rep. Raymundo Lara
Rep. Marian Matthews
Rep. Jane E. Powdrell-Culbert
Sen. William E. Sharer

Advisory Members

Rep. Kelly K. Fajardo
Rep. Natalie Figueroa
Rep. Georgene Louis
Rep. Willie D. Madrid
Sen. Clemente "Memé" Sanchez
Rep. Sheryl Williams Stapleton

Rep. Doreen Y. Gallegos
Sen. Mary Kay Papen
Rep. Andrea Romero
Rep. Candie G. Sweetser
Sen. Bill Tallman
Sen. Pat Woods

Staff

Tom Kricka, Staff Attorney, Legislative Council Service (LCS)
Erin Bond, Research Assistant, LCS
Clinton Turner, Fiscal Analyst, LCS

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

Friday, October 9

Economic Development in New Mexico during the COVID-19 Pandemic and Budgetary Recommendations for Fiscal Year 2022 (9:05 a.m.)

Alicia J. Keyes, secretary, Economic Development Department (EDD), provided the committee with a presentation on the EDD's budget and New Mexico's economic recovery. The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20100920%20Item%201%20EDD%20budget%20and%20NM%20Economic%20Recovery.pdf>.

Dawn Iglesias, chief economist, Legislative Finance Committee, provided the committee with a presentation on the fiscal outlook for New Mexico. The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20100920%20Item%201%20Fiscal%20Outlook.pdf>.

Answers to questions and comments from committee members followed the two presentations and included the following:

- noting expected budgetary reductions, the EDD plans to keep its New Mexico Outdoor Recreation Division staffed with two employees but reduce the division's budget by \$22,000, mostly through reductions related to marketing expenditures;
- the EDD currently has a zero vacancy rate;
- one reason that more New Mexico businesses did not participate in the federal Paycheck Protection Program and the federal Economic Injury Disaster Loan Program was business owners' caution when considering taking on debt or additional debt amid high uncertainty;
- consumer spending accounts for approximately two-thirds of the gross domestic product. Early data on New Mexico consumer spending shows a reduction of 14 percent in July compared to January; however, September's consumer spending level is approximately flat compared to January;
- some consumer sectors have been impacted much harder than others; some data shows restaurant sales down 70 percent;
- many small businesses operate with low profit margins and do not have large cash buffers;
- a request was made for data broken down by race, sexual orientation and gender identity where possible;
- at the national level, significant disparities in levels of recovery have emerged by race, gender and especially education. Employment has fallen further and not recovered. Non-white groups and those without a high school diploma have experienced greater employment losses;

- big box retail sales were stronger than sales from small retailers who were impacted more severely during the lockdown requirements. Big box retailers were quicker to implement delivery, curbside pickup and online shopping options;
- the Spaceport Authority is administratively attached to the EDD, and the secretary of economic development serves as the chair of the board of the Spaceport Authority;
- the business community has been complaining about attracting employees because unemployed workers had been receiving more income through unemployment compensation than they would have received by working;
- the divergence between average wages and average unemployment benefits varies by sector. In sectors such as accommodation and food services, administrative services, arts, entertainment and recreation, average unemployment benefits exceed average wages. In other sectors such as manufacturing, mining and construction, average wages exceed average unemployment benefits;
- compared to January 2020, the number of small businesses open in mid-September was 30 percent lower in New Mexico based on data from <https://tracktherecovery.org/>; and
- the legislature does not only have the option of cutting budgets such as education during the downturn. Cuts in state and local spending drag down the economy.

Community View of Economic Issues for Small Businesses in New Mexico during the COVID-19 Pandemic (11:05 a.m.)

Carri Phillis, owner, The Salt Yard, Effex Nightclub and Side Effex Gastropub, provided the committee with a presentation on the economic impacts of the COVID-19 pandemic on New Mexico businesses. The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20100920%20Item%202%20The%20Economic%20Crossroads.pdf>.

Jason Espinoza, co-owner, KW Consulting LLC, provided the committee with a discussion of the impact of the COVID-19 pandemic on New Mexico businesses. Jason Weaks, attorney, lobbyist and consultant, The Weaks Law Firm, provided the committee with a discussion of the impact of the COVID-19 pandemic on New Mexico's hospitality, tourism and food service businesses.

Synthia R. Jaramillo, economic development director, City of Albuquerque, provided the committee with a presentation on the City of Albuquerque's economic recovery efforts and outcomes relative to other comparable metropolitan areas. The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20100920%20Item%202%20The%20Healthiest,%20Most%20Resilient%20City.pdf>.

Answers to questions and comments from committee members followed the presentations and included the following:

- municipalities and the state can communicate that certain fees have been waived through a grassroots effort. Outreach to businesses can be improved, and many businesses are not fully aware of what relief options are available. The City of Albuquerque has observed that the most vulnerable businesses are often not reached through conventional press releases or social media outreach efforts;
- the state needs to consider attracting new people to New Mexico by eliminating the tax on military retirement income and social security benefits;
- at this point in the year, outside dining is becoming difficult in the northern part of New Mexico;
- expanding the incentives offered to the film industry or out-of-state businesses to all New Mexico businesses that can add jobs should be examined;
- the Anti-Donation Clause of the Constitution of New Mexico limits the ability to provide direct grants to support businesses, and aid must come in the form of tax incentives or other mechanisms;
- a greater focus on economic development incentives is needed to streamline incentives to those that are the most efficient and cost-effective;
- the City of Albuquerque's outdoor dining grant funds were quickly depleted;
- loan and aid opportunities need to be organized by sector and situation because businesses are faced with information overload on programs that may not apply to their conditions;
- New Mexico should examine other states' economic development efforts to replicate successful strategies and avoid other states' mistakes;
- federal Coronavirus Aid, Relief, and Economic Security Act funding can be leveraged to increase other funding and grant opportunities; and
- smaller businesses have greater difficulties than larger corporations surviving a temporary crisis due to less liquidity. A trade association survey found that 30 percent of New Mexico restaurants could survive for three more months under the current public health orders and that 30 percent could survive for six more months.

Recommendation for Additional Economic Stimulus for Small Business and Nonprofits in New Mexico (Small Business Recovery Act of 2020) (1:10 p.m.)

Marquita Russel, executive director, NMFA, and Adam Johnson, chief of program operations, NMFA, provided the committee with an update on the Small Business Recovery Loan Fund and recommendations for improvement. The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20100920%20Item%203%20Update%20on%20the%20Small%20Business%20Recovery%20Loan%20Fund.pdf>.

Answers to questions and comments from committee members included the following:

- the NMFA does not have a projection of default rates for the small business recovery loan program;
- if a debt is canceled, the canceled debt becomes income and is taxable;

- fraternal lodges such as the New Mexico Elks were not eligible under the existing loan program, and the program should be expanded to provide aid for these types of nonprofit associations;
- a long-term, all-of-the-above equity program is needed for New Mexico entrepreneurs, especially for businesses with fewer than 40 employees; and
- in a pandemic without security, a personal guarantee or traditional underwriting, the NMFA does not believe that making allowances for entities with past bankruptcies would significantly increase the risks of the loan repayment likelihood.

Approval of Minutes

Upon a motion made by Representative Dow and seconded by Representative Roybal Caballero, the committee voted to approve the minutes of the September 18, 2020 meeting.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the meeting adjourned at 2:30 p.m.