

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

**June 12, 2018
State Capitol, Room 322
Santa Fe**

The first meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, chair, on June 12, 2018 at 10:05 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Rep. Debbie A. Rodella, Chair
Sen. Benny Shendo, Jr., Vice Chair
Sen. Jacob R. Candelaria
Rep. Rebecca Dow
Sen. Ron Griggs
Rep. Tim D. Lewis
Rep. Rick Little
Rep. Patricia A. Lundstrom
Rep. Matthew McQueen
Sen. John Pinto
Rep. Jane E. Powdrell-Culbert
Rep. Candie G. Sweetser
Sen. Pat Woods

Advisory Members

Rep. Eliseo Lee Alcon
Rep. Alonzo Baldonado
Rep. Kelly K. Fajardo
Rep. Joanne J. Ferrary
Rep. Rod Montoya
Sen. Mary Kay Papen
Rep. Patricio Ruiloba
Rep. Nick L. Salazar
Sen. William E. Sharer
Sen. Elizabeth "Liz" Stefanics
Sen. Bill Tallman
Rep. Linda M. Trujillo
Rep. Bob Wooley

Absent

Sen. Richard C. Martinez
Sen. Michael Padilla
Rep. Nathan P. Small

Rep. Gail Armstrong
Sen. Craig W. Brandt
Sen William F. Burt
Rep. George Dodge, Jr.
Rep. David M. Gallegos
Rep. Bealquin Bill Gomez
Rep. Yvette Herrell
Rep. D. Wonda Johnson
Sen. Carroll H. Leavell
Rep. Sarah Maestas Barnes
Sen. Mark Moores
Rep. William "Bill" R. Rehm
Rep. Patricia Roybal Caballero
Rep. Angelica Rubio
Rep. Monica Youngblood

Guest Legislator

Sen. Nancy Rodriguez

Staff

Randall Cherry, Staff Attorney, Legislative Council Service (LCS)

Diego Jimenez, Research Assistant, LCS

Lenaya Montoya, Bill Drafter, LCS

Rebecca Griego, Records Officer, LCS

Guests

The guest list is in the meeting file.

Handouts

All handouts and other written testimony are in the meeting file.

Tuesday, June 12**Welcome and Introductions**

Representative Rodella welcomed the committee and members of the audience and asked committee members and staff to introduce themselves.

Economic Development Department (EDD) Update

Matthew Geisel, secretary, EDD, provided the committee with an update of his department's work over the past year and its plans moving forward. He reviewed item 1 of the handout and emphasized that, under the leadership of Governor Susana Martinez over the last seven years, New Mexico has demonstrated a steady commitment to building a better business climate. Secretary Geisel highlighted actions taken by the EDD, including improving processes for unemployment insurance, workers' compensation insurance and nontaxable transaction certificates; reducing corporate income tax rates to 5.9%; reducing fees and taxes 57 times; creating a \$50 million Local Economic Development Act (LEDA)/job creation closing fund; reaching an all-time high for Job Training Incentive Program (JTIP) funding; and creating new tools to support entrepreneurship. Secretary Geisel told the committee that the amount of research being performed in New Mexico would equate to approximately 10 Stanford Universities.

Since 2010, Secretary Geisel reported, the unemployment rate in New Mexico has been reduced to the current rate of 5.6% as of March 2018. He told the committee that this measure includes minimal growth in the oil and gas and government sectors. Secretary Geisel summarized by noting that the Martinez Administration has assisted in the creation of more than 15,000 jobs since 2010.

He noted that programs in the EDD's "economic development toolbox" provide for a range of levels of assistance. On the lower end of assistance, the toolbox can provide small boosts, such as 10 jobs in Lovington for Drylands Brewing Company. On the higher end of assistance, options include propelling large leaps, such as Lowe's and Safelite employing 1,000 individuals each. Since 2011, 68% of JTIP and 57% of LEDA incentives have gone to homegrown New Mexico companies. A sampling of companies receiving JTIP and LEDA funds is provided on slides 8 and 9 of the presentation. Since 2011, the JTIP has assisted in the creation of more than 10,000 jobs at an average wage of \$18.30 per hour.

Secretary Geisel discussed his department's role in accountability, compliance and protection of taxpayer dollars as they relate to the LEDA and JTIP. Regarding the LEDA, he explained that the EDD's oversight process ensures due diligence, including finance analysis, credit checks and a return on investment calculation. It also includes acquisition of security instruments or collateral in the event that a clawback is necessary. Finally, the EDD requires quarterly job reporting, annual performance review and two reviews of qualified expenditures before disbursement.

Regarding the JTIP, the EDD has overseen minimum wage entry-level increases to \$11.00 per hour in urban areas and \$9.50 per hour for rural areas and wage increases for third-party business process outsourcing customer care centers to \$12.50 per hour from \$11.22 per hour. The EDD has also implemented an internship program to encourage hiring college students and has attained eligibility for 75% wage reimbursement for job creation in federally designated colonias.

Compliance and protection measures for the JTIP include post-performance audits, compliance with the combined reporting system, unemployment insurance reporting and annual retention analyses through the Workforce Solutions Department.

Mark Roper, Community Business and Rural Development Team leader, EDD, explained the EDD's six regional teams that analyze projects in their respective regions and assist in finding resources. He discussed the "three As" of business retention and expansion: accelerate, augment and anchor. To assist in acceleration, the EDD identifies companies that are primed for growth and helps them reach their goals more quickly. Augmentation assistance includes helping the company stretch and augment expansion. Anchoring ensures that the company becomes an anchor tenant in the community and is not lured away by incentives in other states.

Mr. Roper also discussed the Local Economic Assistance and Development Support Program (LEADS) and Solo-Worker Program. LEADS projects must address attraction, business retention and expansion, workforce development, technology, entrepreneurship and start-up development or real estate. LEADS has provided funding of up to \$15,000 to entities such as GrowRaton! and the Clovis Industrial Development Corporation.

Solo-Worker Program recipients are awarded on a post-performance basis. The program has provided awards up to \$38,500 for the Cibola Communities Economic Development Foundation.

Mr. Roper explained slide 17, which provides the New Mexico MainStreet Program's net jobs created and net new business/business expansion statistics for fiscal years 2013 through 2017. The MainStreet Accelerator Program for fiscal year 2019 will provide assistance to the historic Taos Plaza and downtown Santa Rosa. He discussed the new MainStreet Arts and Cultural Districts Program development of the Carlsbad Arts, Culture and Creative District, Corrales Cultural Scenic Byway Corridor and San Isidro Cultural Compound. Past projects for arts and cultural districts and compound developments include downtown Albuquerque, Las Vegas, Los Alamos, Mora, Raton and Silver City.

The MainStreet Frontier Communities Initiative, a program similar to the New Mexico MainStreet Program, was created to assist smaller communities that may not qualify for the larger MainStreet federal grant. Communities receiving this assistance for the first time in fiscal year 2019 include Cimarron, Conchas Dam, Rodeo and the Pueblo of Taos. Assistance provided for these projects includes landscape and architectural planning and design and creation of a business hub.

Mr. Roper explained that the Finance Development Team of the EDD oversees two programs: the Rural Efficient Business and Credit Enhancement programs. The Rural Efficient Business Program is a series of training workshops and customized energy assessments in rural locations. The program is limited to rural business and agriculture producers and is focused on renewable energy to decrease energy bills and increase a business' bottom line. The Credit Enhancement Program authorizes the EDD to pledge cash to cover a collateral shortfall for a loan in order to allow a small business to acquire financing. The EDD may bring up to 50% of needed money to secure a loan for a business. A preference is given for rural businesses, minority- and veteran-owned businesses and companies that pledge to create jobs and generate income from outside the state.

Mr. Roper reviewed a number of select case studies for businesses that have succeeded with the assistance of the EDD. The full list of case studies and assistance provided by the EDD can be found on slides 21 through 29.

Finally, Mr. Roper updated the committee regarding fund balances for the JTIP and LEDA. The JTIP was funded with \$9 million for fiscal year 2019, of which \$1 million is reserved for film projects. The current backlog for funding JTIP projects sits at \$2.5 million for short-term projects and \$6.4 million for long-term projects. The JTIP will close out fiscal year 2018 fully encumbered.

Committee members posed extensive questions and offered several comments on the EDD's presentation.

A member of the committee notified the other members that an economic development course certified by the International Economic Development Council will be offered at Western New Mexico University in Silver City on July 22-26.

A member of the committee discussed a company in Farmington that was sold to a larger entity that, after the acquisition, moved all upper-level professionals, including attorneys and certified public accountants, to its corporate offices out of state. He also told the committee that Twizzlers candy used to be made in Farmington but has since moved its production operations out of state. The member attributed both of these events to inconvenient transportation issues and a high gross receipts tax rate.

Review of 2018 Legislation Endorsed by the Committee in the 2017 Interim

Mr. Cherry presented a summary of the outcomes of legislation that the ERDC endorsed in 2017 and that was introduced during the 2018 session. He highlighted that, of the six committee-endorsed pieces of legislation, three were partially funded through inclusion in House Bill 2, the General Appropriation Act of 2018 (GAA); two died and were not included in the GAA; and one, Senate Joint Memorial 2, was passed by both chambers and signed by the officers of each chamber.

In response to a question, Mr. Roper confirmed that funding in Senate Bill 21 was requested for the Tourism Department but was ultimately appropriated to the EDD in the GAA.

2018 Interim Work Plan and Meeting Schedule

Mr. Cherry presented the 2018 ERDC work plan and meeting schedule. Committee members requested adding the following topics to the work plan:

- alcohol-related issues, including:
 - recent amendments to the Liquor Control Act;
 - license availability; and
 - online sale of alcohol;
- regulation of hemp production;
- state property transfers;
- state road signs and tourism;
- entrepreneurial training programs;
- value-added agriculture industries;
- the horse racing industry;
- the racino industry;
- Four Corners power plant closures;
- transportation infrastructure needs;
- state university research programs;
- public school programs encouraging careers in science;
- the Gallup sheep processing plant;
- building inspections and economic development;

- livestock theft;
- rural health care provider jobs; and
- legalization of recreational marijuana.

A member objected to including the topic of the legalization of recreational marijuana in the work plan. After discussion, on a motion made by Representative Fajardo, seconded by Representative Sweetser and opposed by one member, the committee approved the work plan as presented and discussed.

After further discussion, the committee agreed on the following meeting dates and locations: July 12-13, Albuquerque; August 13-15, Gallup and Farmington; September 4-5, Cloudcroft and Alamogordo; and October 31-November 1 in Santa Fe. The committee will also seek approval from the New Mexico Legislative Council to hold a meeting in Las Cruces on October 11-12.

On a motion made by Senator Griggs and seconded by Representative Fajardo, the committee unanimously approved the meeting schedule as presented and discussed.

Adjournment

There being no further business before the committee, the first meeting of the ERDC for the 2018 interim adjourned at 11:48 a.m.