



NEW MEXICO LEGISLATURE

# ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

2018 INTERIM FINAL REPORT

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## INTERIM SUMMARY



## **Economic and Rural Development Committee 2018 Interim Summary**

The Economic and Rural Development Committee (ERDC) was created by the New Mexico Legislative Council for the 2018 interim and met six times in communities throughout the state. The committee traveled to Albuquerque, Gallup, Farmington, Alamogordo, Cloudcroft and Las Cruces and held two meetings in Santa Fe.

As in previous years, the ERDC's focus for the 2018 interim was on issues that have the potential to spur and support economic development in the state. The committee heard extensive presentations on efforts by the state's universities to transfer scientific research to practical commercial applications.

The committee also heard extensive presentations on economic challenges and opportunities in the northwest quadrant of the state during meetings in Gallup and Farmington. Presentations included discussions regarding Gallup's opportunities to develop as a transportation hub for trucking and railroad commerce and the extreme challenges facing Farmington in connection with the potential closure of the San Juan Generating Station and the San Juan Mine.

Other topics explored by the committee included legalization of recreational cannabis; the value-added agriculture industry; economic opportunities and challenges within the Dona Ana County-Mexico border region; issues regarding the availability of liquor licenses; livestock theft and health issues; developments in the hemp industry; clean energy production and transmission developments; and developments regarding the proposed consolidated interim storage facility in Lea County.

The committee heard programmatic updates from state agencies whose missions have an impact on economic development, including the Economic Development Department, the Workforce Solutions Department, the Tourism Department and the State Parks Division of the Energy, Minerals and Natural Resources Department. In addition, the committee received detailed updates on the activities of Spaceport America.

Finally, the committee heard a presentation from CareerWise Colorado, a collaboration between educators and businesses that allows high school students to apprentice with businesses while attending school. The program is based on a Swiss model that has enjoyed extensive success. CareerWise has achieved similar results in Colorado.

The committee endorsed eight pieces of legislation, including six bills to appropriate funds for the following purposes: food and agriculture education and experiential learning grants to school programs; targeted marketing and research on means of attracting retirees to New Mexico; to carry out the purposes of the Economic Development Corporation Act; to carry out the purposes of the Economic Development Grant Fund; for local procurement of New Mexico-grown fresh fruits and vegetables for school meals; and to create a pilot program to provide New Mexico-grown fruits and vegetables for senior center meal programs and to fund the Farmers' Market Nutrition Program for seniors.





## WORK PLAN AND MEETING SCHEDULE



**2018 APPROVED  
WORK PLAN AND MEETING SCHEDULE  
for the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**Members**

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

Sen. Richard C. Martinez  
Rep. Matthew McQueen  
Sen. Michael Padilla  
Sen. John Pinto  
Rep. Jane E. Powdrell-Culbert  
Rep. Nathan P. Small  
Rep. Candie G. Sweetser  
Sen. Pat Woods

**Advisory Members**

Rep. Eliseo Lee Alcon  
Rep. Gail Armstrong  
Rep. Alonzo Baldonado  
Sen. Craig W. Brandt  
Sen. William F. Burt  
Rep. George Dodge, Jr.  
Rep. Kelly K. Fajardo  
Rep. Joanne J. Ferrary  
Rep. David M. Gallegos  
Rep. Bealquin Bill Gomez  
Rep. Yvette Herrell  
Rep. D. Wonda Johnson  
Sen. Carroll H. Leavell  
Rep. Sarah Maestas Barnes

Rep. Rod Montoya  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. William "Bill" R. Rehm  
Rep. Patricia Roybal Caballero  
Rep. Angelica Rubio  
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  
Rep. Monica Youngblood

**Work Plan**

The Economic and Rural Development Committee (ERDC) was created by the New Mexico Legislative Council on April 26, 2018. During the 2018 interim, and as time permits, the ERDC will explore and discuss major areas and specific issues affecting economic and rural development as follows:

- A. business development resources and state-supported strategies;
- B. workforce development and education;
- C. infrastructure, utilities and basic needs in New Mexico communities, including broadband deployment in rural communities;
- D. regulation and licensing;

- E. taxes and financial incentives;
- F. reports from state agencies and political subdivisions, including:
  - 1. current and proposed programs and 2019 legislative priorities of the Economic Development Department and its associated divisions;
  - 2. current and proposed programs and 2019 legislative priorities of the Workforce Solutions Department;
  - 3. current and proposed programs and 2019 legislative priorities of the Regulation and Licensing Department and its associated divisions;
  - 4. current and proposed programs and 2019 legislative priorities of the Tourism Department;
  - 5. updates and legislative priorities of the Taxation and Revenue Department;
  - 6. the initiatives and recent activities of Spaceport America;
  - 7. a report from the Energy, Minerals and Natural Resources Department on the economic benefits of improving and maintaining state parks; coordination with local businesses, municipalities and other entities to increase tourism; and uses of proposed rate increases; and
  - 8. updates from the Children, Youth and Families Department and Workforce Solutions Department on child care resources;
- G. ways to promote job creation;
- H. additional topics relating to rural and economic development in the state, including:
  - 1. infrastructure, community and essential services in frontier communities;
  - 2. incentives for retirees to relocate to New Mexico;
  - 3. alcohol-related issues, including:
    - a. recent amendments to the Liquor Control Act;
    - b. license availability; and
    - c. online sale of alcohol;

4. regulation of hemp production;
  5. state property transfers;
  6. state road signs and tourism;
  7. entrepreneurial training programs;
  8. value-added agriculture industries;
  9. the horse racing industry;
  10. the racino industry;
  11. Four Corners power plant closures;
  12. transportation infrastructure needs;
  13. state university research programs;
  14. public school programs encouraging careers in science;
  15. the Gallup sheep processing plant;
  16. building inspections and economic development;
  17. livestock theft;
  18. rural health care provider jobs; and
  19. legalization of recreational marijuana;
- I. proposed economic-development-related legislation; and
  - J. discussion of industrial hemp as it relates to economic development.

**Economic and Rural Development Committee  
2018 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 12	Santa Fe
July 12-13	Albuquerque
August 13-15	Gallup, Farmington
September 4-5	Cloudcroft, Alamogordo
October 11-12	Las Cruces
October 31-November 1	Santa Fe

# AGENDAS AND MINUTES





**TENTATIVE AGENDA  
for the  
FIRST MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

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

**Tuesday, June 12**

- 10:00 a.m.           **Call to Order and Introductions**  
                          —Representative Debbie A. Rodella, Chair
- 10:15 a.m.       (1)   **[Economic Development Department \(EDD\) Update](#)**  
                          —Matthew Geisel, Secretary, EDD  
                          —Mark Roper, Community Business and Rural Development Team Leader,  
                          EDD
- 11:30 a.m.       (2)   **[Review of 2018 Legislation Endorsed by Committee in 2017 Interim](#)**  
                          —Randall Cherry, Staff Attorney, Legislative Council Service
- 11:45 a.m.       (3)   **[2018 Interim Work Plan and Meeting Schedule](#)**
- 12:30 p.m.           **Adjourn**



**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.



Revised: July 6, 2018

**TENTATIVE AGENDA  
for the  
SECOND MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE  
July 12, 2018  
University of New Mexico Science & Technology Park Rotunda  
851 University Blvd. SE  
Albuquerque**

**July 13, 2018  
University of New Mexico Lobo Rainforest Building  
101 Broadway Blvd. NE  
Albuquerque**

**Thursday, July 12 — University of New Mexico (UNM) Science & Technology Park  
Rotunda**

- 10:00 a.m.      **Call to Order, Introductions and Approval of Minutes**  
—Representative Debbie A. Rodella, Chair
- 10:15 a.m.      **Welcome**  
—Chaouki Abdallah, Ph.D., Provost and Executive Vice President for  
Academic Affairs, UNM
- 10:30 a.m.      (1) **[UNM Research Master Plan](#)**  
—Gabriel Lopez, Ph.D., Vice President for Research, UNM
- 11:30 a.m.      (2) **[UNM Innovation Academy](#)**  
—Robert DelCampo, Ph.D., Executive Director, UNM Innovation Academy
- 12:30 p.m.      **Lunch**
- 1:30 p.m.      (3) **[New Mexico State University \(NMSU\) — General Research Update](#)**  
—Luis Cifuentes, Ph.D., Vice President for Research, NMSU
- 2:30 p.m.      (4) **[New Mexico Institute of Mining and Technology \(NMIMT\) — General  
Research Update](#)**  
—Van Romero, Ph.D., Vice President of Research and Economic  
Development, NMIMT
- 3:30 p.m.      (5) **[Superfund Program Overview and Obligations](#)**  
—Michaelene Kyrala, Director, Strategic Initiatives and Policy, Department  
of Environment

4:30 p.m.           **Public Comment**

4:45 p.m.           **Recess**

**Friday, July 13 — UNM Lobo Rainforest Building**

9:00 a.m.           **Reconvene — Introductions**  
—Representative Debbie A. Rodella, Chair

9:10 a.m.       (6)   **Carbon Capture/Sequestration Research**  
—Plamen Atanassov, Ph.D., Director, Center for Micro-Engineered  
Materials, and Distinguished Professor of Chemical and Biological  
Engineering, UNM  
—Van Romero, Ph.D., Vice President of Research and Economic  
Development, NMIMT

10:30 a.m.       (7)   **Albuquerque Economic Development (AED) Committee**  
—Joe Farr, AED Executive Committee; Senior Vice President, Gemini  
Rosemont Commercial Real Estate

11:30 a.m.       (8)   **Funding Opportunities for Rural Development**  
—Mark Scheffel, Senior Vice President, Advantage Capital

12:30 p.m.       **Public Comment**

1:00 p.m.       **Adjourn**

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

**July 12, 2018  
University of New Mexico Science & Technology Park Rotunda  
851 University Blvd. SE  
Albuquerque**

**July 13, 2018  
University of New Mexico Lobo Rainforest Building  
101 Broadway Blvd. NE  
Albuquerque**

The second meeting of the Economic and Rural Development Committee (ERDC) was called order by Representative Debbie A. Rodella, chair, on July 12, 2018 at 10:15 a.m. at the University of New Mexico (UNM) Science & Technology Park Rotunda in Albuquerque.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Benny Shendo, Jr., Vice Chair  
Sen. Jacob R. Candelaria  
Rep. Rebecca Dow (7/12)  
Sen. Ron Griggs  
Rep. Rick Little  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez  
Rep. Matthew McQueen (7/13)  
Sen. Michael Padilla  
Sen. John Pinto  
Rep. Jane E. Powdrell-Culbert  
Rep. Nathan P. Small (7/12)  
Rep. Candie G. Sweetser

**Absent**

Rep. Tim D. Lewis  
Sen. Pat Woods

**Advisory Members**

Rep. Eliseo Lee Alcon  
Rep. Alonzo Baldonado  
Sen. Craig W. Brandt  
Rep. Kelly K. Fajardo  
Rep. Joanne J. Ferrary  
Rep. Bealquin Bill Gomez  
Rep. Rod Montoya  
Rep. Patricia Roybal Caballero

Rep. Gail Armstrong  
Sen. William F. Burt  
Rep. George Dodge, Jr.  
Rep. David M. Gallegos  
Rep. Yvette Herrell  
Rep. D. Wonda Johnson  
Sen. Carroll H. Leavell  
Rep. Sarah Maestas Barnes

Rep. Patricio Ruiloba (7/12)  
Sen. Elizabeth "Liz" Stefanics (7/12)  
Sen. Bill Tallman  
Rep. Bob Wooley

Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. William "Bill" R. Rehm  
Rep. Angelica Rubio  
Rep. Nick L. Salazar  
Sen. William E. Sharer  
Rep. Linda M. Trujillo  
Rep. Monica Youngblood

### **Guest Legislators**

Sen. Howie C. Morales (7/12)  
Sen. Clemente Sanchez (7/13)

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

### **Staff**

Randall Cherry, Staff Attorney, Legislative Council Service (LCS)  
Diego Jimenez, Research Assistant, LCS  
Rebecca Griego, Records Officer, LCS  
Felicia Garcia, Intern, LCS

### **Guests**

The guest list is in the meeting file.

### **Handouts**

Handouts and other written testimony are in the meeting file.

## **Thursday, July 12**

### **Welcome and Introductions**

Representative Rodella welcomed the committee and members of the audience and asked committee members and staff to introduce themselves. Chaouki Abdallah, Ph.D., provost and executive vice president for academic affairs, UNM, greeted the committee and provided an update on the state of UNM. Dr. Abdallah told the committee that the legislature has invested more than \$20 million in economic development at the university. Those dollars led to hundreds of millions of dollars in federally and privately funded research investments from outside the state.

### **UNM Research Master Plan**

Gabriel Lopez, Ph.D., vice president for research, UNM, discussed ongoing research projects at the university. Aside from the primary benefits of research, Dr. Lopez noted that research projects train students to work in some of the highest paying fields in the state, which helps accomplish an integral part of UNM's educational mission.

UNM main and branch campuses received more than \$7 million in research funding between fiscal years 2013 and 2018. The top funding agencies include the National Science Foundation (NSF), the Children, Youth and Families Department (CYFD) and the United States Department of Defense (DOD). Contracts and grants awarded to UNM and to students account for more than one-fourth of UNM's revenue — a substantial contribution. Other funding for UNM comes from the state and from tuition and fees. In response to a question, Dr. Lopez explained that research projects for the CYFD vary, but many projects relate to training teachers about issues regarding young children. In response to a question, Dr. Lopez told the committee that the Department of Transportation's (DOT's) financial contributions to UNM support engineering laboratories and various activities, including materials testing and design.

Dr. Lopez discussed the research areas that bring in the most federal dollars and have the largest faculty numbers. These include:

- cross-cutting research areas, such as bio-informatics and collections-based research;
- areas of research and scholarship strength, such as computational and data sciences; and
- developing areas of research and scholarship strength, such as community-engaged arts, education and public health.

In response to a question, Dr. Lopez explained that these areas were defined using surveys of those involved in the research areas. He told the committee that an area that offers potential for substantial growth is public health, with collaboration opportunities among UNM's College of Education, Department of Psychology and College of Population Health. The UNM Health Sciences Center fosters robust collaboration, and it recently received a multimillion, multiyear grant to examine public health and the history of uranium mining.

Dr. Lopez also discussed the Center on Alcoholism, Substance Abuse and Addictions (CASAA). The CASAA has been at the forefront of state and local opioid addiction intervention efforts. The CASAA currently receives the highest level of investment on the UNM main campus.

In response to a question, Dr. Lopez told the committee that autoimmune disease and immunity research at UNM is focused on cross-species disease rather than human health. He stressed that the implications of cross-species disease are very important for human health.

Dr. Lopez provided a summary of UNM's research strategic plan (RSP). The RSP was developed by engaging stakeholders across UNM in working groups that included 50 faculty members and 20 community members. The plan, now in its third year, enables the university to make significant improvements in supporting research and fostering creativity. He discussed the RSP's objectives as they relate to research excellence, human capital, infrastructure, federal and state government relations and corporate relations.

Dr. Lopez then highlighted research projects relevant to economic and rural development. He told committee members that the Office of the Vice President for Research (OVPR) identified three emerging and poised-for-growth research areas for fiscal year 2018: renewable energy; water in the west; and social, cultural, place-based research relating to the southwest. These fields are important to New Mexicans, Dr. Lopez said, and research in these fields attracts investment from out-of-state entities.

UNM granted seven awards out of 20 applications received for research funds in the following fields: two awards for renewable energy; one award for water in the west; and four awards for social, cultural, place-based research relating to the southwest.

In response to a question, Dr. Lopez told the committee that clean energy systems research is wide-ranging, and it is dependent on the focus at the federal level. In recent years, federal focus has moved toward nuclear energy development rather than solar and wind energy, which was the focus of President Barack Obama's administration. He noted that when the federal administration changed, the university experienced a severe reduction in the scope of energy research projects. Further, when the United States withdrew from the United Nations Framework Convention on Climate Change, there was a significant reduction in funding for clean energy research.

A member of the committee asked why only one water-in-the-west grant was funded, considering the water situation in the state. Dr. Lopez responded that grants are dependent on proposals received by the OVPR. For this funding year, the OVPR received only one proposal for water-in-the-west research, and it was funded. The proposal is a collaboration between UNM's School of Engineering and Department of Biology to examine the effects of forest fires on downstream watersheds.

Dr. Lopez reported that the OVPR is improving and growing relationships with the national laboratories. UNM has established an open communication relationship with Los Alamos National Laboratory (LANL), which has resulted in an agreement regarding ownership rights to research and outcomes. However, Dr. Lopez noted, there is currently no joint funding agreement between LANL and UNM.

UNM does not have a corporate industrial relations office, Dr. Lopez said. To enhance corporate-sponsored research, the OVPR has created a corporate relations roundtable. The roundtable brings together stakeholders to share information and develop relationships. UNM's next goal is to develop a central portal website to function as a one-stop site to foster relationships between corporations and the university. In response to questions, Dr. Lopez explained that proposals to establish a corporate relations office have been discussed. He said that the primary focus of such an office would be to engage corporations interested in sponsoring research.

Dr. Lopez discussed UNM's economic development efforts. He said that UNM is very active in patent licensing and creating start-ups, and it has a good reputation for commercializing activities. Since 1996, STC.UNM, the technology transfer arm of UNM, has received 597 United States patents and has executed 583 license and option agreements. One hundred thirteen start-up companies have been formed based on UNM-researched technologies. In 2013, 26 UNM start-ups generated 147 high-paying jobs, \$3.5 million in revenue, \$8.6 million in salaries and benefits and \$4.7 million in goods, services and spending. A committee member observed that, over five years, at a cost of \$140,000 per year, 147 jobs do not represent a significant impact.

Dr. Lopez discussed the Center for High Technology Materials (CHTM) and its impact on the New Mexico economy. The CHTM was established as one of five centers of technical excellence by the New Mexico Legislature with initial funding of approximately \$10 million dispersed from 1983 to 1988. He noted that this strategic investment has paid for itself many times over. Additionally, he told the committee that ongoing investment helps to accomplish the university's educational mission by producing competitive students to fill the best jobs in the state.

A 2014 economic impact analysis by the UNM Bureau of Business and Economic Research (BBER) found that the CHTM has a measurable impact on the economy, creating 131 jobs that produce \$6.5 million in annual labor income and \$11.7 million in annual economic output. The CHTM has received 207 U.S. patents and has led to the foundation of 14 companies started by CHTM faculty and students. The CHTM has also assisted many small companies. The CHTM has received more than \$200 million in externally funded research that has resulted in more than 500 graduate degrees in science, technology, engineering and mathematics (STEM).

In response to a question, Dr. Lopez told the committee that, traditionally, research universities are not focused on innovation but instead are focused on understanding the natural world. He stressed that UNM is primarily a research university. Nevertheless, this research often contributes to economic development through the generation of intellectual property patents, licensing and commercialization.

In response to a question, Dr. Lopez explained that the BBER is a service that reports to the OVPR. The BBER conducts economic analyses for state government and local industries and entities statewide. The BBER now has a more diverse funding portfolio than it has had in the past. He noted that before this diversification, there was concern that funding for research projects was used to support the BBER. The new funding portfolio alleviates this concern.

The OVPR is working with the UNM Office of Government and Community Relations on a bill to establish a fund for research-grant matching funds, which would contribute significantly to institutional infrastructure. He discussed Senate Bill 115 (2018), sponsored by Senator William P. Soules, which would have created a research grants closing fund. The bill died in the Senate Finance Committee.

In response to a question, Dr. Lopez told the committee that this cost-sharing fund would be used to increase New Mexico's capacity for research and assist in seeking federal funding. The proposed fund would have received \$2 million to \$3 million in annual appropriations.

Dr. Lopez discussed New Mexico's Established Program to Stimulate Competitive Research (EPSCoR) funded by the NSF to expand the state's capacity to conduct scientific research. Since 2001, \$184 million in funding has been given to the EPSCoR from the NSF, the United States Department of Energy (DOE) and the National Aeronautics and Space Administration (NASA). Thirty-one faculty hires have been supported by the EPSCoR. Since 2013, EPSCoR project participants secured an additional \$50.3 million, supporting 278 students.

In response to a question regarding capital outlay and research funding, Matthew Munoz, government relations manager, UNM, told the committee that the university submitted a capital outlay request to fund a CHTM acquisition of a sensor for toxic gases. He assured the committee that he would work with the research arm of the university on capital outlay requests moving forward. Representative Rodella requested that each research university produce a list of research priorities for funding endorsement at the committee's final meeting for the 2018 interim.

In response to questioning, Dr. Lopez told the committee that administrative overhead costs attached to grants vary substantially. He said that the administrative overhead cost on an equipment or training grant without indirect equipment purchases is typically approximately eight percent lower than a grant with indirect equipment purchases.

A committee member requested a list of research funding sources, with particular attention to state agencies, including a breakdown of costs and, in particular, administrative costs. The committee member sought to determine how much money is spent on research costs versus administrative costs. Dr. Lopez responded that he would provide a breakdown of funding from the United States Department of the Interior.

Mr. Munoz told the committee that many researchers are involved in UNM's internal building design process due to particular equipment that requires specialized buildings. Researchers and faculty are also involved in UNM's internal general obligation bonding proposal process. The university is proposing to fund the construction of a new \$14 million chemistry building through this bonding process. He acknowledged that projects included in the general obligation bond bill must meet Higher Education Department criteria. Recent buildings included in the bill have been science research buildings.

A member of the committee expressed concern that economic development is not a favored criterion in UNM's process to decide which grants to pursue. Dr. Lopez explained that the university pursues grants based on a desire to build on its strengths. He reminded the committee that the university's mission is not exclusively economic development. Dr. Lopez stated that the system used by UNM is balanced — it builds on strong areas within the university while supporting academic freedom.



## **UNM Innovation Academy**

Robert DelCampo, Ph.D., executive director, Innovation Academy, UNM, gave a presentation on the Innovation Academy. Founded in 2015, the Innovation Academy is focused on fostering student innovation, creativity and entrepreneurship. He discussed the innovation and entrepreneurship culture, noting that:

- 58 percent of college-age students see their futures as being part of a start-up company;
- 67 percent of all new jobs in the United States are created by small and start-up businesses;
- small business accounts for 99.7 percent of all businesses in the United States;
- the United States has an international advantage in innovation due to its diverse population and large university systems; and
- the United States has an individualistic culture that encourages entrepreneurship.

Dr. DelCampo discussed a chart from *The Economist* that displays the most in-demand job skills in the country, which are critical thinking and problem solving; collaboration and teamwork; and technical skills associated with the particular job. He told the committee that most of the skills on the chart are soft skills, which tend to be entrepreneurial skills as well. The Innovation Academy seeks to sharpen those skills to help make students more employable. A member of the committee discussed the importance of soft skills and past legislative efforts to appropriate money for soft skills training.

Dr. DelCampo discussed the traditional and contemporary roles of universities. Traditional roles of universities include commercialization of research and technology transfer. Contemporary roles of universities include entrepreneurship education for technical degrees and fostering team-based approaches to problem solving.

Over the last five years, universities have been expanding entrepreneurship education. Dr. DelCampo told the committee that UNM has taken a different, more inclusive approach to entrepreneurship education by preparing the entire university to make entrepreneurship education available for all fields of study.

Dr. DelCampo discussed the Innovation Academy's background and history. The program was designed to fill the gap in formal education for creativity, innovation and entrepreneurship and to provide students with transferable skills needed to compete in the current job market. He said that the goal of the Innovation Academy is to customize the university's teaching methods based on methods by which students best learn.

The Innovation Academy encourages collaboration with different people and groups to create solutions and develop new ideas. He stressed that the university wants every student to be an entrepreneur and have entrepreneurial skills, regardless of the student's field of study. UNM has asked faculty to consider curriculum that infuses innovation into existing degree programs. The goal in engaging faculty members is to help students have skills that can be articulated on a

resume, leading to employment. In response to a question, Dr. DelCampo said that the Innovation Academy is receptive to assisting community members. Community outreach work will begin in spring 2019.

Dr. DelCampo discussed competitions and challenges hosted by the Innovation Academy. The UNM Tech Navigator Challenge asks students to find new applications for existing licenses and has a \$10,000 prize. The Dion's "Keep it Cool" challenge invited students to find a way to ship Dion's salad dressing while maintaining the temperature at under 41 degrees Fahrenheit to prevent spoilage. A successful design will earn a \$10,000 scholarship and free Dion's pizza for one year.

Other programs, events and courses offered by the Innovation Academy include:

- the 2+1+2 program whereby students can earn three degrees in five years;
- a create-your-own job fair;
- the Innovation Academy toolbox; and
- the collaborative start-up project course, which asks 20 students to create a collaborative business.

Dr. DelCampo outlined the demographics of the Innovation Academy as follows:

- more than 50 percent of students are female;
- more than 50 percent of students are students of color;
- more than 60 percent of students are first-generation college students; and
- a majority of the students are full-time, taking 12 credit hours or more.

Dr. DelCampo discussed the Lobo Rainforest Building. The off-campus building has five floors of student housing. The ground floor of the building houses STC.UNM and the Innovation Academy, in addition to a credit union branch, a cafe and offices for the Air Force Research Laboratory, Sandia National Laboratories and General Atomics.

In response to a question, Dr. DelCampo told the committee that UNM does not have a certified business incubator. The Innovation Academy, described as an entity that leads individuals toward the right places and people to pursue their business dreams, fills that gap. He told the committee that the largest hurdle to overcome for the Innovation Academy is getting students to share their ideas.

A member of the committee announced that the National Conference of State Legislatures (NCSL) is expected to present to the committee in November on preventing "brain drain" and developing apprenticeships programs.

## **New Mexico State University (NMSU) — General Research Update**

Luis Cifuentes, Ph.D., vice president for research, NMSU, told the committee that he began working with NMSU only a few days prior to this meeting. Dr. Cifuentes has been employed by the University of Texas for 22 years prior to assuming his position at NMSU. He discussed the history of land grant universities, describing the history as concurrent with the history of education access. He noted that NMSU is a proud, minority-serving institution that is ranked number one among its peers in science and engineering funding. The university received two honors from the Brookings Institution for the university's ability to improve the lives of students. The university is highly ranked for improving life and upward social and economic mobility.

Total financial awards for 2018 equate to more than \$94 million. Eighty-seven percent of the awards come from federal agencies, including NASA, the United States Department of Health and Human Services and the DOD. Approximately four percent of 2018 awards come from state agencies. In response to a question, Dr. Cifuentes told the committee that recent years have witnessed a lot of federal funding going toward recognizing complicated issues. He said that there is a growing perception that researching from a single approach is not an accurate way to make policy or spur economic development. He told the committee that modern research approaches recognize both scientific and policy issues.

He discussed NMSU's research strength areas, including: water; STEM; computer science and engineering; and space and aerospace. The New Mexico Water Resources Institute at NMSU gives NMSU comprehensive capabilities in water-related research, education, outreach and economic development. The New Mexico Water Resources Institute, which offers extensive expertise on water topics, is composed of more than 80 faculty, researchers and staff from 15 departments within six colleges, as well as staff from the Agricultural Science Center and the Cooperative Extension Service. Water research at NMSU analyzes agricultural water use efficiency; watershed, riparian and aquatic systems; water quality and treatment; and water informatics using geospatial techniques. In response to a question, Dr. Cifuentes told the committee that a burgeoning area of study in water research is commonly termed "the water, energy and food nexus".

Dr. Cifuentes described the framework around agricultural, consumer and environmental sciences (ACES). There are different types of research projects in ACES, including pesticide safety impact, beginning farmers and ranchers and sustainable farming techniques. He told the committee that individual projects may create up to 50 jobs, collectively making a substantial difference for the community.

He discussed the Stronger Economies Together (SET) program. NMSU has facilitated the establishment of nine SET regions in 32 of New Mexico's 33 counties. Los Alamos County is not participating in the SET program.

Dr. Cifuentes discussed plant and soil science, which studies the development of and evaluation methods for microbiological and chemical analysis; transcriptome sequencing of new world miracle trees; population rootstock development; and the development of a comprehensive and effective state pesticide regulatory program.

Dr. Cifuentes noted the strength of NMSU's medical and health services research, which involves emerging pathogens, cancer research, neuroscience, public health and biomedical education and training.

NMSU regards public access to research as an important tenant for the community and university. He discussed NMSU's STEM Outreach Center, which provides out-of-school programs, teacher professional development, curriculum and educational resource kits, parent and family outreach, summer camps and quantitative and qualitative assessments. The out-of-school programs serve students between kindergarten and eighth grade. The teacher professional development program is available to all participating after-school program teachers. The STEM Outreach Center's activities for 2018 will contribute to Dona Ana County:

- 36 jobs to the local economy;
- \$1,278,592 in labor income;
- \$1,792,110 in value-added benefits; and
- an overall economic output of \$2,702,267.

Dr. Cifuentes discussed economic development in the context of research. The primary contribution made by research is that of educating and graduating students and creating a better educated and trained workforce. He said that the primary goal of economic development is to create jobs that will keep youths and jobs in the state.

He told the committee that NMSU has a long history of space science research, and he discussed the Apache Point Observatory. Continued operation of the observatory provides more than \$2 million annually in local salaries, employs 30 people and adds \$200,000 in annual purchases and services to the local economy.

The NMSU Unmanned Aircraft Systems (UAS) test site provides rural and economic development from UAS flight testing, mid-altitude long endurance flight operations and critical infrastructure inspections. NMSU UAS capabilities improve and enhance the safety of electrical utility and dam inspections by examining infrastructure through mapping and modeling, geolocation mapping of assets, detailed safety inspections and emergency response planning. Dr. Cifuentes said that the applications for using UAS in rural development are critical. Other research on the use of UAS envisions using drones as a cheaper way to deliver blood to rural areas in emergencies.

NMSU also has a notable history with energy and biofuels research, Dr. Cifuentes said. Federal funding for research in these fields fluctuates with changing priorities in federal

administrations. Dr. Cifuentes told the committee that NMSU Chancellor Dan Arvizu was previously the director of the DOE's National Renewable Energy Laboratory, so he anticipates that renewable energy research will continue to be a priority for the university. Research in these fields include algal biofuels, microgrids, solar and wind energy and fuel cells.

He noted that New Mexico is comparatively behind in start-up creations and discussed NMSU's Arrowhead Center. The purpose of the Arrowhead Center is to promote entrepreneurship and innovation and create economic opportunities in the region. The center is a regional hub for entrepreneurship and innovation, connecting people with products to resources that can help people achieve their goals. The center provides resources that help create jobs and grow businesses. The economic impact of the Arrowhead Center includes \$125 million in labor income, the creation of 993 jobs and \$2.6 million in public and private investments.

Dr. Cifuentes discussed the Idea Network of Biomedical Research Excellence (INBRE) program. This program brings New Mexico's educational institutions together and champions biomedical and community-based research excellence. This is achieved through the development of innovative, supportive and sustainable research environments. An economic analysis of the INBRE program from 2009 through 2018 showed a total effect of 598 new jobs, \$15 million in labor income and \$39 million in economic output.

Dr. Cifuentes closed his remarks by acknowledging that public universities perform research to reflect public will and turn knowledge into social and economic developments. Universities are primed to achieve these goals with a wide variety of disciplines.

In response to a question from the committee, Dr. Cifuentes discussed hemp research. Following the passage of bills allowing hemp-related research in the state and a lawsuit that ultimately resulted in the bills becoming law, the New Mexico Department of Agriculture (NMDA) is moving forward with developing regulations for research. He told the committee that questions remain regarding tetrahydrocannabinol (THC) content in hemp and how that could impact federal funding. Currently, the university does not allow THC to be kept at laboratories.

A member of the committee announced that the NMDA will hold hearings regarding hemp rules in October and November. The committee member said that New Mexico has fallen behind other states regarding hemp research progress. He told the committee that most states allowing industrial hemp require less than three percent THC content for hemp, with the exception of Colorado, which allows higher percentages. The University of Kentucky has been growing copious amounts of industrial hemp through its university extension programs. The committee member warned that other states, such as Oregon, Washington and California, all have burgeoning research programs that may surpass New Mexico.

While responding to a question, Dr. Cifuentes told the committee that a collaborative effort is essential to reaching economic development goals. He hopes to join the business incubator and research in collaborative efforts to help achieve economic development goals.

## **Approval of Minutes**

On a motion made by Senator Padilla and seconded by Senator Martinez, the minutes from the first meeting of the ERDC were approved.

## **New Mexico Institute of Mining and Technology (NMIMT) — General Research Update**

Van Romero, Ph.D., vice president of research and economic development, NMIMT, discussed past NMIMT research, such as the proximity fuze developed during World War II, that spurred other explosives research. Currently, funding for explosives research annually yields \$10 million to \$50 million for NMIMT.

Dr. Romero discussed research related to energetic materials. With about 50 undergraduates employed in research efforts, this research field has become the largest employer on campus. Research conducted at NMIMT also includes the areas of chemistry and mechanical and electrical engineering.

Dr. Romero briefly discussed industrial research at NMIMT and showed a video of an ammonium nitrate bomb. The bomb is used to generate diamond powder for drills and other tool tips.

Dr. Romero also told the committee about the Enhanced Novel Explosives (ENE) program. Research for this program simulates explosives in a scaled urban environment. ENE research receives funding from the federal Department of Homeland Security (DHS). Program objectives include the evaluation of blast overpressure and damage from an ENE in an urban setting; design and construction of a scaled urban environment; and the combination of all results into a comprehensive database to deliver a software tool that will predict ENE damage in urban environments. Researchers test shockwaves and explosives in city environments and are able to test different explosives in the same environment.

Dr. Romero informed the committee that bridge suspension technology designed at NMIMT will survive an explosion. The technology has been used on the double-decked suspension George Washington Bridge crossing the Hudson River in the Manhattan borough of New York City.

Dr. Romero told the committee that the basis for "3-1-1 rule" for allowing fluids and other goods on commercial air flights was established at NMIMT. Research performed by NMIMT established that three ounces or less of an explosive liquid or mix will not critically damage an aircraft.

He discussed an emerging threat from foreign enemies using drones, and he showed the committee a video of a drone detonating a one-pound explosive behind a moving vehicle. The university is also researching methods to use drones for counter-security measures, Dr. Romero said. He told the committee that the Federal Aviation Administration will not allow the university to shoot down aerial drones, so other ways to subdue aerial drones must be found.

NMIMT helps address national security concerns by hosting anti-terrorism events and first responders training. This service provides \$22 million per year to the university and fills many hotel rooms each year in the community for these events. Participants and financial providers for these training simulations include the Federal Emergency Management Agency, the Transportation Technology Center and the National Disaster Preparedness Training Center.

Training simulations are held at NMIMT's Playas Research and Training Center. Dr. Romero played a CBS news segment regarding the training center, which provides a return-on-investment ratio of 41:1. In response to a question, Dr. Romero told the committee that the Playas Research and Training Center has a typical modern town infrastructure that is ideal for testing cybersecurity and border issues, including electronic fences and detection methods.

He told the committee that the school's primary customer is the DHS, which studies issues relating to South America and Mexico. He stressed that the Playas Research and Training Center is an excellent location for simulation and development research. He reported that NMIMT anticipates receiving \$4 million over the next three years to use the Playas Research and Training Center as a cybersecurity test range for government agencies. This commitment to use the Playas Research and Training Center will result in more jobs, more people and more economic development in the area.

Dr. Romero discussed energy-related research performed in several programs, including mineral engineering, petroleum engineering and chemical engineering. He discussed the statutorily created New Mexico Petroleum Recovery Research Center (PRRC) and the sequestration of carbon dioxide in a depleted oil reservoir. Carbon sequestration research employs advanced reservoir modeling and computer simulation tools, laboratory tests, field measurements and monitoring efforts to understand, predict and monitor geomechanical and hydrogeologic processes associated with down-hole injection of carbon dioxide. Ultimately, the models and data will be used to predict storage capacity and physical and chemical changes in reservoir properties, such as fluid composition, porosity, permeability and phase relations. A better understanding of carbon dioxide reservoir interactions resulting from this project will improve industrial economic and rural development flooding practices.

Dr. Romero discussed geothermal resources in Socorro. Socorro has a ground water upwelling from depths of up to four kilometers. La Jencia Basin to the west of Socorro is the source of Socorro's geothermal waters.

In response to a question, Dr. Romero told the committee that NMIMT has one of the largest greenhouses in the country. While the geothermal water is not hot enough to produce energy, it is the appropriate temperature to increase production of agricultural products such as tilapia, roses and tomatoes. Researchers extract water from the ground to harness the heat from the water before returning the water to the pool. One result of this project is an extended growing season. Dr. Romero told the committee that in order to produce electricity, the temperature of the water would need to be at least 180 degrees Celsius to create usable steam.

NMIMT has an agreement to work with Massachusetts Institute of Technology (MIT) on research for molten oxide electrolysis. Dr. Romero believes that MIT selected NMIMT as a research partner for this project because, in addition to NMIMT research successes, New Mexico has access to iron ore and cheap direct-current electricity.

The Incorporated Research Institutions for Seismology (IRIS) Portable Array Seismic Studies of the Continental Lithosphere (PASSCAL) Instrument Center is a consortium of more than 100 universities dedicated to the operation of science facilities in support of cutting-edge seismological research. The IRIS PASSCAL programs contribute to scholarly research and education through the EarthScope program. The EarthScope program gains support from the NSF to deploy seismic instruments, global positioning systems and other instruments to study the processes that cause earthquakes and volcanic eruptions.

The EarthScope program is an exploration of the four-dimensional structure of the earth, Dr. Romero said. The USArray is an integral part of the EarthScope program that consists of four interrelated parts. The USArray is a 15-year program to place a dense network of permanent and portable seismographs across the country. Dr. Romero told the committee that NMIMT was selected over Stanford University in the awarding of this research contract.

Water research at NMIMT is composed of earth science, atmospheric physics and mechanical engineering. Dr. Romero discussed the geophysical research center, which houses the Langmuir Laboratory for Atmospheric Research, and highlighted research on hydrology and involvement with the Sustainability of Semi-Arid Hydrology and Riparian Areas (SAHRA) organization. The vision for SAHRA is to develop an integrated multidisciplinary understanding of semi-arid region hydrology and to build partnerships with a broad spectrum of stakeholders (both public agencies and private organizations). The goal is to effectively manage water resources and rationally implement public policy. SAHRA's purpose is to inform and support water professionals by conducting stakeholder-relevant research, education and knowledge transfer activities. SAHRA's geographical focus is on the San Pedro, Val Verde, Rio Grande and Rio Conchos basins. This area spans from southern Wyoming to central Mexico and from western Arizona to central Texas. SAHRA's partner institutions include NMIMT, UNM, the University of Arizona, the United States Geological Survey and Sandia National Laboratories.

NMIMT also houses the Institute for Complex Additive Systems Analysis, which focuses on management, computer science and engineering to protect the nation's digital infrastructure systems. Dr. Romero discussed cybersecurity-related research performed by computer science and electrical engineering students but could not divulge many details on these projects due to the classified nature of this field of research. Students working in this field must pass a federal background check and receive a security clearance.

Dr. Romero discussed astronomy operations at NMIMT. NMIMT partners with the National Radio Astronomy Observatory and National Optical Astronomy Observatory. Collectively, these agencies operate the Magdalena Ridge Observatory, the Very Large Array, the



Long Wavelength Demonstrator Array and the Magdalena Ridge Observatory Interferometer. He told the committee that the Magdalena Ridge Observatory and the Magdalena Ridge Observatory Interferometer are the most ambitious observatories in the world. He briefly discussed astrophysics-related research and the Cavendish Laboratory at the University of Cambridge.

Dr. Romero described biomedical and bio-informatics research at NMIMT, including microbiology, applied and system ecology and comparative biomechanics, physiology and mathematical modeling. Microbiology research involves examining molecular ecology, bio-remediation, bacterial physiology, animal-microbe symbioses, emerging pathogens, pathogen navigation through the environment and the effect of climate change on evolution and genetic transfer of antibiotic resistance.

The applied and system ecology program works to develop drought-resistant crops, Dr. Romero said. He told the committee that the program researches topics such as how microbes support the growth of cannabis. Researchers examine soil nutrient cycling, disease and pest control and improved sustainability. He explained that cannabis is not brought on the campus because that would jeopardize federal funding. In lieu of cannabis, NMIMT uses surrogate plants.

He discussed comparative biomechanics physiology and mathematical modeling. Researchers in these fields examine topics such as variations affecting the evolution of structures; morphogenesis of hearts; and odor capture by crabs and insects. Researchers use computational modeling, experimental fluid dynamics and high-speed videography in this program, which is a collaboration with LANL.

He discussed cell and molecular biology research at NMIMT. In addition to saving lives, drugs developed at NMIMT also provide a significant economic boost. NMIMT-developed drugs include anticancer, antibacterial and antiparasitic drugs as well as antimicrobial creams. Water purification and biosensors are also significant areas of cell and molecular biology research at NMIMT.

Dr. Romero told the committee that one barrier to economic development is finding investors. Persuading potential investors can be difficult since the school requires that all funded work must be done in New Mexico.

Dr. Romero discussed the August 2011 "big science issue" of *Popular Science*. In this issue, NMIMT was featured twice in an article on the "ten most awe-inspiring projects in the universe". The top most awe-inspiring project in the universe was the IRIS PASSCAL Instrument Center. The eighth featured project on the list was the Very Large Array.

Payscale.com analyzed annual pay for bachelor's-level graduates without higher degrees, and it determined that NMIMT was among the top-10 state universities in terms of salary potential for its graduates. A study by the NSF ranked NMIMT as fourteenth in the top 50 universities that

produce Ph.D. students. NMIMT is the highest-ranked public institution for the production of Ph.D. students.

He reported that the NMIMT general obligation bonds board advised the university to make research a lower priority when taking projects to the legislature for approval. Instead, it recommended a focus on funding brick-and-mortar projects. He told the committee that a matching fund for research grants would help bring more money and jobs to New Mexico.

A committee member discussed a presentation on cybersecurity that occurred in a past meeting of the interim Science, Technology and Telecommunications Committee at NMIMT. The member noted that legislators should be more attentive to threats to cybersecurity. Dr. Romero noted that students at NMIMT are working with General Motors to develop coding protections for vehicles with keyless entry.

### **Superfund Program Overview and Obligations**

Michaelene Kyrala, director of strategic initiatives and policy, Department of Environment (NMED), discussed the Superfund program and its benefits to economic development.

She explained that a Superfund site is one that is extremely contaminated and has had hazardous materials dumped on it without proper management and precautions. The hazardous materials at a Superfund site can contaminate the land, air and water around it, potentially causing serious harm to humans and the environment. Past locations designated as Superfund sites include dry cleaners, landfills, mining operation sites and rail yards.

In 1980, Congress passed the Comprehensive Environmental Response, Compensation, and Liability Act to protect humans, wildlife and natural resources. The act established a federal "Superfund" to clean up uncontrolled or abandoned hazardous waste sites.

Ms. Kyrala explained the Superfund site cleanup process. The United States Environmental Protection Agency (EPA) is the only entity that can designate a site as a Superfund priority. Once a site is designated as a Superfund site, the EPA is responsible for oversight of its remediation. The EPA can either require the parties responsible for contamination to clean the site or require them to reimburse the government for EPA-led remediation efforts. If a site does not have a viable responsible party, the site is designated as an orphan site, and the EPA becomes responsible for funding and cleanup. In response to a question, Ms. Kyrala explained that, once a site is listed as a Superfund priority, the NMED treats all sites with equal priority.

The EPA pays for the entire Superfund assessment, and it may take several years before a site is put on the priority list. Following the designation as a Superfund priority site, the EPA pays 90 percent of the cost of cleanup while state governments pay the remaining 10 percent. After a 10-year period, the state becomes responsible for 100 percent of cleanup.

The amount of money requested by the NMED is heavily leveraged by the federal government. Ms. Kyrala explained that by the end of the 10-year period of federal oversight, there is generally only limited work remaining, which can be performed at a lower cost. In response a question, Ms. Kyrala explained that after the 10-year period, most work entails monitoring and preventing the spread of hazardous materials. She told the committee that it can be difficult to predict the length and costs of a cleanup project. Remedial system construction time frames are very difficult to predict, as the EPA must prioritize construction based on site risk and funding availability.

In New Mexico, the Superfund program is managed by the Groundwater Quality Bureau of the NMED. She told the committee that currently there are 16 Superfund sites in New Mexico dispersed throughout the state. Of those 16 sites, eight are orphan sites. New Mexico is required to contribute funds for the cleanup and long-term maintenance of the eight orphan sites. Additionally, Ms. Kyrala said that there are three de-listed sites containing waste repositories, meaning that they must undergo operations and maintenance in perpetuity.

Ms. Kyrala discussed NMED financial needs. Known costs for years 2020 through 2023 total \$1.259 million. Unknown costs will be determined as current projects progress.

She discussed several specific projects. A pump and treat method reduced contamination in ground water from the Fruit Avenue Plume in Albuquerque to a point that remedial efforts moved to monitored natural attenuation. The Grants Chlorinated Solvents Plume had extremely high concentrations of tetrachloroethene, which was boiled out of shallow ground water and collected. This strategy significantly reduced concentrations in the ground water. Photographs from both sites can be viewed in the handout, Ms. Kyrala said.

Ms. Kyrala discussed the community and economic benefits of Superfund cleanup, which include:

- clean ground water and drinking water;
- reclaiming and reusing thousands of acres of formerly contaminated land;
- protecting public health;
- restoring the environment;
- supporting positive economic and social outcomes in communities;
- deterring blight, vandalism and trespassing;
- identifying long-term site stewards while considering future use;
- engaging vulnerable communities; and
- long-term protection of remediated sites.

Ms. Kyrala discussed the Terrero Mine. It has not been designated a Superfund site, and Superfund-designated money cannot be used to clean up this site. She told the committee that between 1926 and 1939, the Pecos Mine and El Molino Mill processed about 1.3 million tons of ore and about 40 million tons of minerals, including zinc, lead, copper, silver and gold. At the

time, the mine and mill were the largest employers in New Mexico. The DOT and the Department of Game and Fish (DGF) used mine waste on nearby campgrounds and roads. Freeport McMoRan, Inc., is paying 80 percent of the cleanup costs, while the NMED, on behalf of the DGF and the DOT, pays 20 percent. There is an outstanding balance of \$194,000 for this site cleanup. She told the committee that there is an estimated future cost of about \$60,000 per year for the next three years.

In response to a question, Ms. Kyrala told the committee that the Atchison, Topeka and Santa Fe Railway (AT&SF) sites are not orphan sites and that the AT&SF is responsible for paying for the cleanup of those sites.

In response to a question, Ms. Kyrala told the committee that she will provide a list of the projects to committee staff, including project status, whether the projects are listed as orphans or have a separate party responsible and the area and acreage reclaimed for each project.

In response to a question from the committee, Ms. Kyrala explained that the jet fuel spill on Kirtland Air Force Base has not been designated a Superfund site. Instead, the NMED has partnered with the United States Air Force and others to work on the plume. She said that a lot of work is being done to protect water and limit the spread of the hazardous materials. The NMED's chief scientist reports that the project is progressing very well.

### **Public Comment**

Susan Gordon, coordinator, Multicultural Alliance for a Safe Environment, told the committee about her work on uranium and mining issues in the Grants mining district. During the 2018 session, she worked with Representative Johnson on a bill to fund a study of jobs created from Superfund programs. She told the committee that the large corporations receiving contracts for cleanup temporarily import workers to New Mexico and then leave when cleanup is completed.

### **Recess**

The committee recessed at 4:00 p.m.

### **Friday, July 13**

#### **Reconvene — Introductions**

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

#### **Carbon Capture/Sequestration Research**

Plamen Atanassov, Ph.D., director, Center for Micro-Engineered Materials, and distinguished professor of chemical and biological engineering, UNM, discussed research at UNM. He told the committee that research at UNM is conducted by a variety of academic units

and several research centers. He discussed the OVPR centers and institutes, noting that the OVPR oversees the BBER, CHTM and EPSCoR.

Dr. Atanassov described a number of current and past projects, including photovoltaic and thermophotovoltaic research at the CHTM. He noted that current UNM efforts include an investigation of III-Sb PV cells on gas and silicon substrates.

Dr. Atanassov discussed research into combining photovoltaic and thermoelectric generators to take advantage of sunlight. He suggested that this technology could replace the need for coal-burning plants in the region.

He also discussed advances of nanomaterials research at UNM. Nano-stabilized enzymatic membrane for carbon dioxide capture meets DOE standards for carbon dioxide sequestration. This technology won a first place "R&D 100" gold medal for green technology. Currently, a company in Albuquerque is working to commercialize this product.

Dr. Atanassov discussed research performed using electricity to convert carbon dioxide to carbon monoxide. He noted that this could lead to transforming carbon dioxide into useable fuels.

In response to a question, the committee was informed that UNM is also working on solar storage cells and technology, which is a critical effort in the development of solar technologies.

Dr. Atanassov also described research at UNM regarding oil and gas wellbores. The research team seeks to improve wellbore integrity to prevent the escape of carbon dioxide. The university, in conjunction with LANL, is developing acoustic measurement tools for use in wellbores to detect leakage pathways. By adding special nanomaterials to cementitious materials, improvements can be made to improve the acoustic contrast of wellbore cements to simplify detection of leakage pathways.

UNM is also working to understand the effects of carbon dioxide on climate change and the environment; currently, it has six research projects relevant to that goal.

Dr. Romero discussed the intersection of environmental concerns and enhanced oil recovery. He provided a brief history and explanation of carbon dioxide enhanced oil recovery; carbon capture, storage and utilization; and case studies of carbon capture and utilizations for enhanced oil recovery.

In response to a question, Dr. Romero explained that fracking occurs during the first drilling sequence. Secondary recovery uses water to displace oil that could not originally be reached, producing another 35 percent of oil from the well. The tertiary method for recovering oil pushes carbon dioxide into wells, allowing the well to produce oil for an additional 30 to 40 years. This technology must be used on older wells and cannot be used on newer, horizontally drilled wells.

In response to a question, Dr. Romero explained that fracking began in the early twentieth century and was initially used on water wells. Recently, evidence from Oklahoma suggests that fracking may induce seismic activity. There is no evidence of seismic activity caused by injecting carbon dioxide into wells. He explained that New Mexico has different geology than Oklahoma, and only minor seismic activity has been detected here. There is some suspicion that one or two earthquakes may have been caused by fracking, but researchers have not yet determined what triggered those events.

In response to a question, Dr. Romero explained that the reason for using water as the secondary method to extract oil is that approximately five to 20 barrels of water are extracted per gallon of extracted oil. Water removed during the initial extraction process is reused in the second extraction stage.

Relevant research at UNM seeks to utilize carbon dioxide to allow isolated pockets of oil to be pumped from the ground. Impacts for oil-producing companies include increased recovery, as two-thirds of all oil in a well is stranded, a market advantage and increased positive public perception. Dr. Romero suggested that this technology could play a big role in carbon capture, carbon taxes and moving the market forward. He told the committee that this research could be beneficial for New Mexico and similar states.

In response to a question, Dr. Romero confirmed that 92 percent of re-injected carbon dioxide stays in the ground and that, if not captured, 100 percent of the carbon dioxide would be freely released into the environment.

In response to a question, Dr. Romero explained that research at universities produces technology and products that are not market-ready. At UNM, once a technology is ready for market, STC.UNM can create a new business, purchase an existing smaller business or combine businesses. He explained that older factories are not equipped to adopt technology developed at UNM. However, he explained that as new facilities are built, the latest technology will be incorporated. He expressed his opinion that giving carbon tax breaks could pique the interest of oil producers, potentially causing them to move into the state.

In response to questioning, Dr. Romero explained that the PRRC was created in statute to assist smaller producers. Frequently, the smaller producers perform research and initial drilling until a larger company purchases the smaller entity.

In response to a question, he said that UNM is the lead entity on technology development of catalytic membranes of ammonia synthesis, adding that there is a link to energy storage in those findings. He explained that ammonia synthesis was originally created to assist in agriculture, but shortly after the outbreak of World War I, ammonia was designated for explosives research.

## **Albuquerque Economic Development (AED) Committee**

Joe Farr, AED Executive Committee and senior vice president, Gemini Rosemont Commercial Real Estate; Gary Tonjes, president, AED; and Dennis Houston, retention and expansion consultant, AED, discussed economic development issues in Albuquerque. Mr. Farr discussed his role in Gemini Rosemont Commercial Real Estate, explaining that the entity manages \$2 billion in real estate investments throughout the United States. He stated that his experience in real estate has allowed him to observe why a business decides to stay, leave, expand or take other actions potentially harmful to the city or state.

He explained that AED is not a chamber of commerce. Instead, it is a private nonprofit organization. A majority of AED funding comes from private companies that pay dues ranging from \$2,000 to \$30,000 per year. Companies participate in this entity because they want to see the Albuquerque business community improve and progress. AED also receives limited funding from grants and quarterly meetings. Ultimately, the goal of AED is for a business to support and bring other businesses to the Albuquerque area economy.

AED has operated under the same mission since its founding in 1960. It attempts to attract and grow businesses that sell 50 percent or more of produced goods and services out of state in an effort to bring money from other states into New Mexico.

AED markets the Albuquerque metro area to site location consultants, industries, influencers and media around the world by conducting sales-mission trips; participating in industry-specific trade shows; hosting special events, such as familiarization tours; advertising in key publications; and developing marketing materials such as AED's website, videos, social media campaigns and more.

Mr. Farr told the committee that he has observed that tax incentives are not a critical factor when a business is considering a location. Prior to consideration of incentives, businesses are more likely to examine an area for economics, demographics, retailers and employee availability. He added that incentives might be used to differentiate one location from an otherwise similar location, but incentives should not be included as part of a first-location pitch. AED has been responsible for bringing 30 companies to the area in the last eight years, creating 5,000 new jobs in the Albuquerque metro area.

Mr. Houston told the committee about his work encouraging retention and expansion of businesses currently located in the Albuquerque metro area. He begins with a one-hour initial visit with a company to learn about the company's concerns that keep it from growing. Regardless of how company officials answer that question on constraints to growth, AED begins working to minimize or eliminate the constraint.

In response to a question, Mr. Tonjes stated that primary issues that stall economic development in the area vary depending on the economy. When the nationwide economy is weak, the top problem is finding financing, but when the economy is strong, businesses' main difficulty

is finding employees with skills and who are ready to work. He explained that AED is not aware of how many businesses do not consider moving to Albuquerque due to the crime rate.

Mr. Houston, in response to a question, explained that companies seek available workers in an area perceived as a pro-business climate. He explained that Texas has a powerful economic development brand and is growing in population at a rate faster than most areas of the country. He said that Texas provides incentives to win projects. He told the committee that currently New Mexico competes adequately against Texas and Arizona and at higher levels than in previous years.

Mr. Houston discussed tools available to AED to complete its mission. These tools include: the Local Economic Development Act (LEDA); the Job Training Incentive Program (JTIP); and manufacturing tax credits. He discussed eliminating the tax credits and replacing them with a sales tax exemption to be consistent with the surrounding states.

Mr. Houston told the committee that the JTIP has been funded for 46 years, but in three of the last five years, the fund has run out of money before the end of the fiscal year. He told the committee that to qualify for the JTIP, the companies must adhere to several specific requirements, such as being economically based in New Mexico, adding new well-paying full-time jobs and generating more than 50 percent of their revenue from outside the state. He told the committee that some companies will hire without JTIP assistance but others will not.

Mr. Tonjes discussed the need for robust funding for the JTIP and the LEDA. He told the committee that the LEDA is responsible for bringing Keter Plastics to a facility in Belen that had been vacant for nearly a decade. He told the committee that over the last six months, AED has vetted a number of good opportunities. He expects to announce several deals prior to the next legislative session. He requested that the legislature keep JTIP funding at \$40 million.

### **Funding Opportunities for Rural Development**

Mark Scheffel, senior vice president, Advantage Capital, explained that he is a former two-term Colorado state senator and tax attorney. He currently works with Advantage Capital, a small business investment firm managing \$3 billion in investments across 700 companies. Advantage Capital targets businesses that would otherwise struggle to attract capital, such as those in rural areas.

Mr. Scheffel told the committee that New Mexico currently has an opportunity to create an investment fund to specifically target areas that experience trouble attracting capital. He said that the national economy is doing well, including a strong banking sector. He told the committee that New Mexico's economy is doing well in some areas, but certain quadrants of the economy are missing opportunities due to their rural locations.

He discussed an article written by John Cook on the states that attracted the most venture capital in the fourth quarter of 2017. The top-ranking states include California, New York,



Massachusetts and Washington. He said that New Mexico competes most directly with the states in the Four Corners region, but the rest of the country and the entire world should be viewed as competitors for retaining or landing businesses.

Mr. Scheffel discussed a 2017 report that studied the benefit flows from small business job creation and growth. One investment firm surveyed 10 of its active portfolio companies and saw that 13,512 jobs were supported, including created and retained jobs. He said that 80 percent of companies surveyed offer health insurance benefits; 53 percent provide employee training; and the average full-time wage offered is more than 15 percent higher than the national average at \$54,865. He told the committee that the free market will drive money to good businesses and that a program like the one recommended would allow investment firms to partner with local banks.

He briefly discussed a LegisBrief published by the NCSL. The article discusses the lack of economic recovery in rural areas and associated population loss in those areas.

He told the committee about two models for investing in rural America through special-purpose funds — a tax credit fund and a grant matched by a private capital fund. Both models require businesses to show job growth or they lose their grant or tax credit. He told the committee that transparency and accountability are crucial to ensure that either option works as intended. He described the methods as a combination of debt and equity targeted at opportunity zones.

In response to a question, Mr. Scheffel told the committee that he intends to make a presentation to the interim Revenue Stabilization and Tax Policy Committee. In response to a question, Mr. Scheffel declined to answer as to why Advantage Capital stopped participating in the New Markets Tax Credit Program in New Mexico because he did not work with the firm at that time.

### **Adjournment**

There being no further business before the committee, the second meeting of the ERDC for the 2018 interim adjourned at 3:00 p.m.



Revised: August 9, 2018

**TENTATIVE AGENDA  
for the  
THIRD MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**August 13, 2018  
El Morro Events Center  
210 South Second Street  
Gallup**

**August 14-15, 2018  
San Juan College School of Energy  
5301 College Boulevard  
Farmington**

**Monday, August 13 — Gallup**

- 8:30 a.m.           **Call to Order and Introductions**  
—Representative Debbie A. Rodella, Chair
- 8:45 a.m.           **Continental Breakfast**
- 9:15 a.m.           **Load Buses and Drive to Gallup Energy Logistics Park**  
211 Carbon Coal Road, Mentmore
- 9:30 a.m.       (1)   **[Tour and Presentation of Gallup Energy Logistics Park](#)**  
—Martin O'Malley, General Manager, Gallup Land Partners, LLC  
—Michael Sage, Deputy Director, Greater Gallup Economic Development Corporation  
—Jeff Irving, Roads Superintendent, McKinley County  
—Evan Williams, Deputy Director, Northwest New Mexico Council of Governments  
—Kenneth Segura Knoll, Senior Managing Partner, ISBU IT!, a Division of Sustainable Housing Associates, LLC
- 11:00 a.m.       **Return to El Morro Events Center**
- 12:00 noon       **Lunch at Sammy C's**  
107 W. Coal Avenue, Gallup
- 1:30 p.m.       (2)   **[Tour of Manufacturing — City Electric Shoe Shop](#)**  
230 W. Coal Avenue, Gallup

- 2:00 p.m. (3) [Revitalizing Downtown Gallup](#)  
—Maryann Ustick, City Manager, City of Gallup  
—Jennifer Lazarz, Tourism and Marketing Manager, City of Gallup  
—Francis Bee, Executive Director, Gallup Business Improvement District  
—Rose Eason, Executive Director, Gallup ARTS  
—Emerald Tanner, President, Gallup MainStreet Arts and Cultural District
- 3:00 p.m. (4) [Transportation Infrastructure Update](#)  
—Larry Maynard, District 6 Engineer, Department of Transportation
- 4:00 p.m. **Recess**

**Tuesday, August 14 — Farmington**

- 8:30 a.m. **Reconvene — Introductions**  
—Representative Debbie A. Rodella, Chair
- 8:45 a.m. **Welcome**  
—Nate Duckett, Mayor, City of Farmington  
—Dr. Kim Carpenter, Ph.D., County Executive Officer, San Juan County
- 9:00 a.m. (5) [Impacts of Closure of San Juan Generating Station and San Juan Mine](#)  
—Alicia Corbell, Director of Retention and Expansion, Four Corners Economic Development  
—Terri Benn, Acting Superintendent, Central Consolidated School District  
—Jeff Bourgeois, President/Chief Executive Officer (CEO), San Juan Regional Medical Center  
—Mark Duncan, Mayor, Town of Kirtland  
—Representative Sharon Clahchischilliage
- 10:30 a.m. (6) [San Juan County and Navajo Nation Economic Development: Diversification Efforts and Challenges](#)  
—Dr. Kim Carpenter, Ph.D., County Executive Officer, San Juan County  
—Robert Joe, Acting Chief of Staff, Office of the President, Navajo Nation  
—Anthony Peterman, Senior Policy Advisor, Office of the Speaker, Navajo Nation  
—Warren Unsicker, CEO, Four Corners Economic Development
- 12:00 noon **Lunch**

12:30 p.m. (7) [San Juan Generating Station Legislative Solutions; Renewable Portfolio Standards and Public Regulation Commission Oversight](#)  
—Cydney Beadles, Director, Legal Division, Public Regulation Commission  
—Peter Gould, Attorney, New Mexico Industrial Energy Consumers  
—Senator William E. Sharer  
—Senator Steven P. Neville  
—Representative Rod Montoya

1:30 p.m. **Welcome**  
—Dr. Toni Hopper Pendergrass, Ph.D., President, San Juan College

2:00 p.m. (8) [Addressing Essential Needs of Frontier Communities](#)  
—Susan Wilger, Executive Director, National Center for Frontier Communities  
—Jeff Kiely, Executive Director, Northwest New Mexico Council of Governments  
—Carol Miller, Member, Ojo Sarco Community Center and Picuris-Peñasco Community Coalition

2:45 p.m. (9) [Child Care Resources](#)  
—Alejandra Rebolledo Rea, Acting Division Director, Early Childhood Services, Children, Youth and Families Department

3:45 p.m. (10) [New Mexico Angels, Inc. — Update](#)  
John Chavez, President, New Mexico Angels, Inc.

4:45 p.m. **Public Comment**

5:00 p.m. **Recess**

### **Wednesday, August 15 — Farmington**

9:00 a.m. **Reconvene — Introductions**  
—Representative Debbie A. Rodella, Chair

9:15 a.m. (11) [Update on Solo Worker Program](#)  
—Mark Lautman, Principal Investigator, Community Economics Lab  
—Paul Hamrick, Interim Executive Director, Community Economics Lab  
—Eileen Yarborough, Executive Director, Cibola Communities Economic Development Foundation  
—Shelly Fausett, Director, SoloWorks Cibola

10:15 a.m. (12) [New Mexico Small Business Development Center Network Update](#)  
—Russell Wyrick, State Director, New Mexico Small Business  
Development Center Network (NMSBDC)  
—Martin Gutierrez, Associate State Director, NMSBDC

11:15 a.m. **Public Comment**

11:45 a.m. **Adjourn**

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

**August 13, 2018**  
**El Morro Events Center**  
**Gallup**

**August 14-15, 2018**  
**San Juan College School of Energy**  
**Farmington**

The third meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, chair, on August 13, 2018 at 9:05 a.m. at El Morro Events Center in Gallup.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Benny Shendo, Jr., Vice Chair (8/13, 8/14)  
Sen. Jacob R. Candelaria (8/14)  
Sen. Ron Griggs (8/13)  
Rep. Rick Little  
Rep. Patricia A. Lundstrom (8/13)  
Sen. Michael Padilla  
Sen. John Pinto  
Rep. Jane E. Powdrell-Culbert

**Absent**

Rep. Rebecca Dow  
Rep. Tim D. Lewis  
Sen. Richard C. Martinez  
Rep. Matthew McQueen  
Rep. Nathan P. Small  
Rep. Candie G. Sweetser  
Sen. Pat Woods

**Advisory Members**

Rep. Eliseo Lee Alcon (8/13, 8/15)  
Rep. Alonzo Baldonado (8/13)  
Sen. Craig W. Brandt (8/14)  
Sen. William F. Burt  
Rep. Kelly K. Fajardo (8/13)  
Rep. David M. Gallegos (8/14)  
Rep. Bealquin Bill Gomez  
Rep. D. Wonda Johnson  
Rep. Rod Montoya (8/14, 8/15)  
Rep. William "Bill" R. Rehm  
Sen. William E. Sharer (8/14, 8/15)  
Rep. Elizabeth "Liz" Stefanics (8/14, 8/15)  
Sen. Bill Tallman (8/13, 8/14)  
Rep. Bob Wooley  
Rep. Monica Youngblood

Rep. Gail Armstrong  
Rep. George Dodge, Jr.  
Rep. Joanne J. Ferrary  
Rep. Yvette Herrell  
Sen. Carroll H. Leavell  
Rep. Sarah Maestas Barnes  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. Patricia Roybal Caballero  
Rep. Angelica Rubio  
Rep. Patricio Ruiloba  
Rep. Nick L. Salazar  
Rep. Linda M. Trujillo

**Guest Legislators**

Rep. Paul C. Bandy (8/14)

Rep. Sharon Clahchischilliage (8/14)

Sen. Steven P. Neville (8/14)

Rep. James R.J. Strickler (8/14)

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

**Staff**

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

Lenaya Montoya, Bill Drafter, LCS

Diego Jimenez, Research Assistant, LCS

Rebecca Griego, Records Clerk, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

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

**Monday August 13 — El Morro Events Center****Call to Order/Introductions**

Representative Rodella welcomed the committee, staff and members of the audience. Representative Lundstrom greeted the committee and provided an overview of the day's agenda.

**Tour and Presentation of Gallup Energy Logistics Park**

The committee toured the Gallup Energy Logistics Park and heard presentations from Martin O'Malley, general manager, Gallup Land Partners, LLC; Michael Sage, deputy director, Greater Gallup Economic Development Corporation; Jeff Irving, roads superintendent, McKinley County; Evan Williams, deputy director, Northwest New Mexico Council of Governments; and Kenneth Segura Knoll, senior managing partner, ISBU IT!, a division of Sustainable Housing Associates, LLC.

Members of the panel discussed projects being developed at the logistics park, including the Four Corners Intermodal Transloading Equinox, more commonly called "4CITE"; intermodal steel building units, better known as container homes; and paving Carbon Coal Road to enable more convenient access to the logistics park.

**Tour of Manufacturing**

The committee toured light manufacturing in Gallup at two businesses: The City Electric Shoe Shop and Weaving in Beauty.



## **Revitalizing Downtown Gallup**

Maryann Ustick, city manager, City of Gallup; Jennifer Lazarz, tourism and marketing manager, City of Gallup; Francis Bee, executive director, Gallup Business Improvement District (BID); Rose Eason, executive director, GallupARTS; and Emerald Tanner, president, Gallup MainStreet Arts and Cultural District, provided a panel discussion on efforts to revitalize downtown Gallup.

Ms. Lazarz discussed the importance of tourism in the Gallup area, including the Gallup Inter-Tribal Indian Ceremonial, Red Rock Balloon Rally and the Route 66 Freedom Ride Flight and Cruise events, noting that Gallup has 40 hotels with more than 2,400 rooms.

Ms. Ustick discussed Gallup's Downtown Coordination Committee composed of the City of Gallup, Gallup BID, GallupARTS and Gallup MainStreet Arts and Cultural District. She reported on the Downtown Coordination Committee's vision for a revitalized downtown, including a new library, cultural resource center, street events and downtown alley and pedestrian improvements.

Ms. Tanner discussed the Gallup MainStreet Arts and Cultural District's role in the revitalization efforts. She informed the ERDC that the alleyway beautification project will begin with the alley connecting First Street and Second Street. She told the committee that designs are complete and that the project construction is now open for bids.

Mr. Bee described the activities of the Gallup BID, the only active BID in the state, noting that it supports a local arts council and other initiatives, sponsors events and is trying to revive empty lots and large buildings. He explained that local property and business owners pay dues to the BID but may recover their expenses through reimbursements for facade and security improvements, including the BID paying up to 75 percent of the cost for new exterior signs. He noted that while the overall failure rate for new businesses is 75 percent to 80 percent, Gallup's failure rate is 10 percent.

Ms. Eason discussed GallupARTS, which fosters downtown creativity, culture and commerce by providing direct services and engagement opportunities to local artists. She noted that the organization won two competitive federal grants from the National Endowment for the Arts and the National Endowment for the Humanities. The organization's contributions to downtown revitalization include a downtown trash can painting project, supporting an art gallery that has featured 75 local artists in the last year and a half and organizing monthly downtown events, such as an arts crawl and other mixed media events and workshops, with average attendance of about 1,000 participants.

Ms. Ustick concluded the group's presentation, informing the ERDC that Gallup's population swells by 40,000 to 70,000 each weekend, which puts stress on services and infrastructure; however, a funding strategy is being developed to address these concerns.

## **Transportation Infrastructure Update**

Larry Maynard, engineer, District 6, Department of Transportation, discussed budget issues and challenges in the region, noting that the road maintenance budget has been stagnant for approximately 20 years.

Mr. Maynard described challenges in the region, including heavy truck traffic on Interstate 40, snow removal operations along the Continental Divide, 2,890 miles of secondary roads and urban growth in the primarily rural district. He discussed critical needs that will likely be funded in the next funding cycle, including U.S. Route 491 and mud on New Mexico Highways 118 and 153 following storms. He also noted successes, including reducing the number of structurally deficient state-owned bridges. He described projects currently in the engineering and development stages.

In response to questioning, Mr. Maynard noted that the district intends to add lanes to Interstate 40 near a petroleum refinery, described department plans for the Gallup area and its need for \$40 million to \$60 million to complete the plans and said that the federal government is responsible for approximately 90 percent of the Interstate 40 repair budget.

## **Recess**

The committee recessed at 3:14 p.m.

## **Tuesday, August 14 — San Juan College School of Energy**

## **Reconvene**

Representative Rodella reconvened the meeting at 8:45 a.m.

## **Welcome/Introductions**

Representative Rodella welcomed the committee, staff and members of the audience. Nate Duckett, mayor, City of Farmington, and Dr. Kim Carpenter, Ph.D., county executive officer, San Juan County, welcomed the committee, staff and members of the audience to Farmington. Mayor Duckett and Dr. Carpenter discussed the impact of the closure of the San Juan Generating Station and San Juan Mine on Farmington and surrounding communities. Mayor Duckett mentioned that Farmington is looking at economic diversification and long-term sustainability. Dr. Carpenter discussed the statewide impact of the closures and whether green energy is cost-effective. Mayor Duckett asked the committee to consider a true solution for the job losses and how to revitalize the economy of San Juan County.

## **Impacts of Closure of the San Juan Generating Station and San Juan Mine**

The committee heard presentations from Sally Burbridge, former Aztec mayor and interim senior vice president of economic development, Four Corners Economic Development, Inc.; Randy Manning, former school board member, Central Consolidated School District; Dr. Todd Bille, Ed.D., vice president, strategic planning and business development, San Juan Regional Medical Center; Mark Duncan, mayor, Town of Kirtland; Representative

Clahchischilliage; Tom Taylor, former legislator and past chair of Four Corners Economic Development; and Senator Neville.

The panel discussed the impacts that the closures would have on New Mexico's economy, including an annual loss in earnings of \$117 million, 1,586 jobs lost and a decrease in annual taxes of \$53 million. The panel also discussed the tax revenues derived from oil and gas and the impact those revenues have on the state budget. Ms. Burbridge discussed a study conducted by Economic Modeling Specialists, Inc., which reported that 40 percent of the workforce at the San Juan Generating Station are Navajo and that the closure would directly affect more than 1,600 San Juan County residents. Ms. Burbridge further discussed the difficulties of attracting new industry to the San Juan County area, including airport capacity restrictions and regulatory and tax burdens for noncompetitive industries.

Mr. Manning explained the increase in property taxes that many families in San Juan County would face if the closures occur. Mr. Manning also discussed the social and economic impact that the closures would have on Native American children. Dr. Bille talked about the various impacts the closures would have on community health and provided statistics on current health trends in San Juan County. Mayor Duncan stated that families have moved from the Kirtland area to find work and noted the drastic loss of tax revenue that Kirtland is facing.

Representative Clahchischilliage discussed the frustrations expressed by her constituents regarding the San Juan Generating Station closure and voiced her support for the workers and their families. She discussed the toll that the closure is having on school-aged children and their families. She proposed that Local Economic Development Act funds be used for San Juan County and urged the committee to work with the Public Regulation Commission (PRC) to coordinate a better plan for the county.

A committee member expressed the need to work together to find a solution for the closures because the closures affect the entire state. A committee member also noted that worker re-education and training may not work because the workforce is generally older. A member asked Dr. Bille whether San Juan Regional Medical Center would close if it is not funded. Dr. Bille responded that the hospital would continue to provide care but would likely downsize.

A member asked whether the airport could or should be improved. The panelists stated that the length of the runway is the main problem because it limits accessibility to smaller planes. The committee and panel discussed the need to expand the airport to allow commercial air service to return to the area. Mayor Duckett noted that the proposed airport renovation would cost approximately \$3.45 million.

### **San Juan County and Navajo Nation Economic Development: Diversification Efforts and Challenges**

The committee heard presentations by Dr. Carpenter; Arvin Trujillo, manager, government relations, Arizona Public Service Four Corners Power Plant; Warren Unsicker, chief

executive officer, Four Corners Economic Development; Representative Montoya; Steven Pierro, general manager, San Juan Coal Company; Keven Marshall, underground roof bolter, San Juan Coal Company; Traci Harwood, utility director, San Juan Coal Company; Vinechio John Vargas, underground production manager, San Juan Coal Company; and Terri Benn, acting superintendent, Central Consolidated School District.

Mr. Unsicker presented to the committee some of the strategic targets for diversification that Four Corners Economic Development has focused on, including outdoor industry/manufacturing, agriculture value-added manufacturing and petrochemical manufacturing.

Mr. Trujillo expressed concerns regarding the potential closure of the San Juan Generating Station. He noted the lost revenue and that this industry has sustained the area for many years. He discussed the need for infrastructure development, including a railroad. He also mentioned a U.S. Department of Agriculture grant that brought capacity builders and training to six Navajo chapters regarding economic development and planning.

Dr. Carpenter discussed the tax system and stated that the community is losing revenue because some businesses do not report taxes properly. He discussed the industrial park locations and the need for infrastructure. He noted that industrial companies look for locations with warehouse space and suggested that the community should expand warehouse space to address this demand.

Representative Montoya discussed the investments made in the San Juan Generating Station and the high percentage of Navajo workers that currently work at the plant. He then directed questions to four miners who attended the meeting. Mr. Pierro stated that 165 jobs have been lost since the mine opened. All of the miners expressed dismay that the mine is closing and expressed interest in preparing for another career.

Superintendent Benn discussed the situation in the schools, noting that the Central Consolidated School District includes a portion of the Navajo Nation and encompasses 17 schools. Superintendent Benn stated that she has witnessed an increase in social and emotional needs due to job losses and discussed truancy as it relates to the job losses.

### **San Juan Generating Station Legislative Solutions, Renewable Portfolio Standards and PRC Oversight**

The committee heard presentations from Ernest Archuleta, chief of staff, PRC; Milo Chavez, acting director, Utility Division, PRC; Cydney Beadles, director, Legal Division, PRC; and Senators Sharer and Neville and Representative Montoya.

Mr. Archuleta discussed the duties and authority of the PRC as they relate to abandonments. He also described the review process to establish or abandon a utility and discussed debt securitization.

Senators Sharer and Neville and Representative Montoya gave a presentation on the cost of renewable energy. They provided the committee with statistical data from California regarding electricity rates after California switched to more renewable energy sources.

The panelists also discussed Senate Bill 47 (2018), which dealt with energy redevelopment bonds. The panelists noted that the bill did not address job losses but, instead, focused on property tax issues. The panelists noted that a large portion of the state's revenue is derived from extractive industries, and they urged the committee to investigate and fund energy transportation in San Juan County, especially pipelines that could be used to ship natural gas internationally in liquified natural gas form.

A committee member asked for the cost of a kilowatt-hour of renewable energy as compared to fossil fuel, to which the panelists responded that the cost of one kilowatt-hour of renewable energy is three times the cost of fossil fuels. A member asked why the PRC does not require that utility companies use fossil fuels since they are cheaper. The PRC representatives responded that the PRC does not mandate what resources a utility company should use.

A committee member asked about the status of the proposed abandonment of the generating station. The PRC representatives stated that the abandonment process takes approximately 12 to 15 months because of intervention by many parties. The PRC could reach a decision on the abandonment in 2020. A follow-up question was asked as to whether the committee or the legislature could request that Public Service Company of New Mexico (PNM) wait until 2035 to close its plant. The panelists responded that there are multiple levels of ownership and that the PRC and legislature do not have the authority to direct PNM to delay the closing.

In response to questions regarding educational opportunities for generating station employees, the PRC representatives responded that it is their understanding that PNM plans to provide resources to their employees but not to miners or subcontractors.

A committee member asked whether the loss to PNM due to the station closure would be passed on to ratepayers. The PRC representatives stated that rate decisions are usually made by the PRC, but the question could be determined by legislation.

Committee members noted that PNM has not yet submitted a formal abandonment application. The panelists responded that PNM has announced that the station is not cost-effective and that PNM is planning to close the station midyear in 2022.

There was a discussion on the reliability of renewables and whether the PRC has researched this issue. PRC representatives responded that they are collaborating with the National Renewable Energy Laboratory and with the New Mexico Institute of Mining and Technology to explore this issue.

### **Welcome and Status Update from Dr. Pendergrass**

Dr. Toni Hopper Pendergrass, Ph.D., president, San Juan College, welcomed the committee to San Juan College and provided an update on the economic impacts that the college is providing to the state.

In response to questions regarding the evident success of the college, Dr. Pendergrass stated that the good results stem from great employees working together, case advising, mandatory student-success courses and student support programs. Regarding a question on regional stakeholder needs and whether they are incorporated into the budget, Dr. Pendergrass stated that they are both incorporated into the budget and partially funded through outside sources.

In response to a question regarding new careers for people leaving the energy sector, Dr. Pendergrass noted that the college offers courses in commercial driver's licensing, instrumentation and control, computer sciences, cybersecurity and health sciences.

### **Addressing Essential Needs of Frontier Communities**

The committee heard a presentation from Susan Wilger, executive director, National Center for Frontier Communities; Jeff Kiely, executive director, Northwest New Mexico Council of Governments; and Carol Miller, member, Ojo Sarco Community Center and Picuris-Peñasco Community Coalition.

The panelists discussed Senate Joint Memorial 2 (2018) and the importance of recognizing the unique challenges that face rural communities. Ms. Miller discussed some unique challenges that rural communities face and how unstable funding results in many projects not being funded.

Ms. Wilger discussed the LEADER+ Program used in Europe, which focuses on the acquisition of skills aimed at preparing rural communities to develop and implement local rural development strategies.

Mr. Kiely discussed various funding streams that the New Mexico Association of Regional Councils (NewMARC) has for regional planning and technical assistance. Mr. Kiely also discussed how NewMARC can assist frontier communities.

In response to a question from a committee member, the panelists discussed the various services that rural communities offer and potential improvements to those services. A committee member noted the importance of accurate census information and discussed designating census locations in rural communities.

## **Child Care Resources**

The committee heard a presentation by Alejandra Rebolledo Rea, acting division director, Early Childhood Services, Children, Youth and Families Department (CYFD); and Tomas Montoya, deputy director, Early Childhood Services, CYFD.

The panelists discussed child care assistance programming and programming for children in pre-kindergarten (pre-K). The panelists stated that they work with three-year-olds in private care programs through the CYFD. The panelists discussed their home visiting program, which works on strengthening parenting skills and relationships between family members and helping with social issues. The panelists also discussed the benefits of child care and community involvement, with the main focus being to keep children safe.

The panelists discussed the tier rating system that they employ to rate the quality and improvement of programs and stated that incentives are provided for high-quality programs. They mentioned that the pre-K model is used for the agency's child care program and that the CYFD works on school readiness and development with a focus on how to support children. The panelists noted that approximately 1,600 home child care programs currently receive child care subsidies from the CYFD.

In response to questioning, the panelists mentioned that the cost of child care varies, depending on whether the family or child qualifies for federal assistance. The "child care at risk" program has roughly six million children enrolled each year. Families may also pay privately for child care, but some child care options are regulated by income. If a family is 150 percent below the federal poverty level, it is eligible for child care assistance.

In response to a question regarding training for child care providers on how to deal with challenging behaviors, the panelists stated that they have mental health consultants because some child care workers do not know how to work with trauma or with families involved in the foster care system.

Regarding home visits, the panelists stated that the CYFD contracts with third parties to provide home visits and that 31 counties are served. In response to a question regarding child care services in tribal communities, the panelists stated that they are working with a number of pueblos that have child care services and that the pueblos have their own federal funding. Regarding the involvement of the Public Education Department (PED) in the pre-K program, the panelists stated that they share responsibility with the PED and that the CYFD oversees community-based and private programs while the PED oversees pre-K programming for four-year-olds in public schools.

## **New Mexico Angels, Inc. — Update**

The committee heard a presentation from John Chavez, president, New Mexico Angels, Inc. Mr. Chavez discussed the pros and cons of different types of funding and investment opportunities. He stated that in 2017, \$25.3 billion of angel investments were made nationwide.

He described the process companies must go through to select investors. Mr. Chavez also discussed catalyst and venture capital funds and the importance of those to economic development in the state.

Responding to a question regarding Meow Wolf, Mr. Chavez stated that Meow Wolf plans to expand to Denver, Colorado, and Las Vegas, Nevada.

### **Public Comment**

Two community members offered comments. One discussed economic opportunities that could replace jobs that would be lost by the closing of the San Juan Generating Station. He expressed dismay that there was little support for Native American farmers and sheepherders in the community. He was also concerned that a premium was not paid to the tribe by the San Juan Generating Station.

Another community member requested that the committee ask for a cleanup and remediation of the generating station location if it is closed and requested that more community members be involved in discussions regarding the closure.

### **Recess**

The committee recessed at 5:30 p.m.

## **Wednesday, August 15 — San Juan College School of Energy**

### **Reconvene**

Representative Rodella reconvened the meeting at 9:05 a.m.

### **Update on the Solo-Worker Program**

The committee heard a presentation from Eileen Yarborough, executive director, Cibola Communities Economic Development Foundation, and Shelly Fausett, director, SoloWorks Cibola (SoloWorks).

Members of the panel discussed the need for around 1,900 new economic-based jobs in Cibola County. They provided the committee with a breakdown of where these jobs could come from and stated that most of the jobs could come from "solopreneurship" and solo/remote work. The panelists provided a job-creation-by-location plan to the committee and discussed the 10-year plan that SoloWorks has for Cibola County.

The panelists also addressed workforce needs, including the need for more vocational trades and skills, soft-skills training and the integration of more online resources. They discussed the types of training programs that are used to help train workers, including "Lisa Wells" (a virtual assistant), Career Step (medical coding and billing) and the Microsoft Digital Literacy Curriculum. The panelists discussed their current funding sources and the grants for which they have applied.



A committee member asked whether connectivity is a problem for rural communities. The panelists stated that it is not a significant issue, as the SoloWorks program works with rural community members to provide them with a place to work until they have connectivity themselves.

A committee member asked which departments and agencies sponsor SoloWorks. The panelists responded that the main sponsor is the Economic Development Department and that the Workforce Solutions Department could also help.

A committee member asked if there is a problem with Job Training Incentive Program (JTIP) funding. The panelists explained that the problem is not with the JTIP but with the language of the appropriation regarding the allocation of funds.

In response to questioning, the panelists discussed the retention rates of people participating in SoloWorks, explaining that many participants do not complete the program because of personal issues.

There was discussion regarding the \$1 million requested for funding and whether SoloWorks plans to expand to other parts of the state. The panelists responded that they hope to expand to other parts of the state, that the communities of Raton and Tucumcari wish to start similar programs and that the \$1 million in funding would go toward other programs that want to join SoloWorks and for funding salaries.

Upon questioning regarding the renovation of the SoloWorks building, the panelists stated that they have received cost estimates ranging from \$250,000 to \$1.4 million. The panelists stated that the main focus is wiring the building and outfitting the space with security cameras and a keyless entry system.

### **New Mexico Small Business Development Center Network Update**

The committee heard a presentation from Russell Wyrick, state director, New Mexico Small Business Development Center Network (NMSBDC), and Martin Gutierrez, associate state director, NMSBDC.

The panelists introduced staff members and thanked the committee for allowing them to present. The panelists discussed the importance of having the Small Business Development Center (SBDC) network in the state, noting that the SBDC program has brought the state over \$22 million in federal awards in 2018. They also noted that the SBDC program assisted clients in creating 4,038 new jobs in 2018 and helped retain 464 existing jobs.

In response to questioning, the panelists discussed SBDC funding sources, stating that the program operates under a federal grant administered through Santa Fe Community College. SBDC personnel are employees of the Higher Education Department. The panelists stated that the federal grant is between \$650,000 and \$750,000.

**Adjournment**

There being no further business before the committee, the third meeting of the ERDC for the 2018 interim adjourned at 11:23 a.m.

Revised: August 31, 2018

**TENTATIVE AGENDA  
for the  
FOURTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**September 4, 2018  
New Mexico State University  
Rohovec Theatre  
2400 N. Scenic Drive  
Alamogordo**

**September 5, 2018  
Otero County Electric Cooperative, Inc.  
404 Burro Avenue  
Cloudcroft**

**Tuesday, September 4 — Alamogordo**

- 10:00 a.m.           **Call to Order, Introductions and Approval of Minutes**  
—Representative Debbie A. Rodella, Chair
- 10:15 a.m.           **Welcome**  
—Richard A. Boss, Mayor, Alamogordo  
—Kenneth Van Winkle, Ph.D., President, New Mexico State University-  
Alamogordo
- 10:30 a.m.       (1)   **[Resilience in New Mexico Agriculture Project Update](#)**  
—Kelsey Rader, Natural Resources Policy Director, New Mexico First
- 12:00 noon           **Lunch**
- 1:00 p.m.           (2)   **[Online Liquor Sales](#)**  
—John Thompson, John Thompson Consulting  
—Greg Templeton, General Manager, Southern Glazers Wine and Spirits
- 2:00 p.m.           (3)   **[Regulatory Update on Liquor License Matters](#)**  
—Robert "Mike" Unthank, Superintendent, Regulation and Licensing  
Department  
—Patrick McMurray, Deputy Superintendent, Regulation and Licensing  
Department  
—Debra A. Lopez, Acting Director, Alcohol and Gaming Division,  
Regulation and Licensing Department

- 3:00 p.m. (4) [License Issues Update](#)  
—Maurice Bonal, New Mexico Liquor License Owner  
—Ruben Baca, State Executive, New Mexico Petroleum Marketers Association
- 3:30 p.m. (5) [License Availability Issues](#)  
—Matt DiGregory, President/Chief Executive Officer, Home on The Range, Inc., DiGregory Brothers, Inc.  
—Russell Hernandez, Owner, Salud! de Mesilla Restaurant, The Thyme of Your Life, Inc.
- 4:00 p.m. (6) [Liquor Licenses — Legislative Proposals](#)  
—Senator Ron Griggs
- 5:00 p.m. **Public Comment**
- 5:15 p.m. **Recess**

**Wednesday, September 5 — Cloudcroft**

- 9:00 a.m. **Reconvene/Introductions**  
—Representative Debbie A. Rodella, Chair
- 9:15 a.m. (7) [Choose Electric Vehicles New Mexico — New Mexico Rural Electric Cooperative Association](#)  
—Jason Lindsey, Manager, Commercial and Industrial Marketing, Western Farmers Electric Cooperative  
—Kylah McNabb, Manager, Commercial and Industrial Marketing, Western Farmers Electric Cooperative  
—Mario Romero, Chief Executive Officer, Otero County Electric Cooperative, Inc.  
—Keven J. Groenewold, Chief Executive Officer, New Mexico Rural Electric Cooperative Association
- 10:15 a.m. (8) [Horse Racing — Racino Update](#)  
—Ismael Trejo, Executive Director, New Mexico Racing Commission
- 11:15 a.m. (9) [Livestock Theft and Trichomoniasis Issues](#)  
—Robert Alexander, Executive Director, New Mexico Livestock Board  
—John Wenzel, D.V.M., Extension Veterinarian, New Mexico State University  
—Judy Keeler, New Mexico Cattle Growers' Association, New Mexico Farm and Livestock Bureau
- 12:00 noon **Working Lunch**

- 1:00 p.m. (10) [Pattern Development: An Investor and Partner to Rural New Mexico](#)  
—Ward Marshall, Senior Director of Development, Pattern Energy Group LP  
—Crystal Coffman, Senior Manager of Business Development Finance, Pattern Energy Group LP  
—Adam Renz, External Affairs and Government Relations Specialist, Pattern Energy Group LP  
—John D. Groesbeck, Ph.D., President, Mesalands Community College  
—Andrew G. Swapp, M.S., Wind Energy Technology Instructor, Mesalands Community College  
—Myra Pancrazio, Executive Director, Estancia Valley Economic Development Association

1:30 p.m. **Public Comment**

1:45 p.m. **Adjourn**



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

**September 4, 2018  
New Mexico State University  
Rohovec Theater  
Alamogordo**

**September 5, 2018  
Otero County Electric Cooperative, Inc.  
Cloudcroft**

The fourth meeting of the Economic and Rural Development Committee was called to order by Representative Debbie A. Rodella, chair, on September 4, 2018, at 10:11 a.m. as a subcommittee at the New Mexico State University (NMSU) Rohovec Theater in Alamogordo.

**Present**

Rep. Debbie A. Rodella, Chair  
Rep. Rebecca Dow (9/4)  
Sen. Ron Griggs  
Rep. Rick Little  
Sen. Richard C. Martinez  
Sen. Michael Padilla (9/4)  
Sen. John Pinto  
Rep. Jane E. Powdrell-Culbert  
Rep. Candie G. Sweetswer  
Sen. Pat Woods

**Advisory Members**

Rep. Eliseo Lee Alcon  
Rep. Alonzo Baldonado  
Sen. Craig W. Brandt  
Rep. Kelly K. Fajardo  
Rep. Joanne J. Ferrary  
Rep. Bealquin Bill Gomez  
Sen. Mary Kay Papan  
Rep. William "Bill" R. Rehm  
Rep. Bob Wooley

**Absent**

Sen. Benny Shendo, Jr., Vice Chair  
Sen. Jacob R. Candelaria  
Rep. Tim D. Lewis  
Rep. Patricia A. Lundstrom  
Rep. Matthew McQueen  
Rep. Nathan P. Small

Rep. Gail Armstrong  
Sen. William F. Burt  
Rep. George Dodge, Jr.  
Rep. David M. Gallegos  
Rep. Yvette Herrell  
Rep. D. Wonda Johnson  
Sen. Carroll H. Leavell  
Rep. Sarah Maestas Barnes  
Rep. Rod Montoya  
Sen. Mark Moores  
Rep. Patricia Roybal Caballero  
Rep. Angelica Rubio  
Rep. Patricio Ruiloba

Rep. Nick L. Salazar  
Sen. William E. Sharer  
Sen. Elizabeth "Liz" Stefanics  
Sen. Bill Tallman  
Rep. Linda M. Trujillo  
Rep. Monica Youngblood

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

**Staff**

Randall Cherry, Staff Attorney, Legislative Council Service (LCS)  
Diego Jimenez, Research Assistant, LCS  
Lenaya Montoya, Bill Drafter, LCS  
Erin Bond, Research Assistant, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

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

**Tuesday, September 4 — Alamogordo**

**Welcome**

Representative Rodella welcomed the committee and members of the audience. Richard A. Boss, mayor, City of Alamogordo, greeted the committee and discussed economic development, local attractions, Holloman Air Force Base, government budget fluidity and anticipated surplus revenue. Mayor Boss then read a resolution from the New Mexico Municipal League regarding liquor license reforms.

Kenneth Van Winkle, Ph.D., president, NMSU-Alamogordo, informed the committee of the school's origins as a host for classes for the service members at Holloman Air Force Base. Dr. Van Winkle discussed the NMSU-Alamogordo campus in relation to workforce development and described its close relationship with the air force base.

It was announced that a quorum of the committee had been established, allowing the committee to function as a whole.

**Resilience in New Mexico Agriculture Project Update**

Kelsey Rader, natural resources policy director, New Mexico First, introduced Jennifer Benson, western regional campaign director, National Young Farmers Coalition; David G. Kraenzel, research faculty, Agricultural Economics and Agricultural Business, College of Agricultural, Consumer and Environmental Sciences, NMSU; Jonas Moya, research analyst,



NMSU; and Pam Roy, executive director, Farm to Table New Mexico, as her co-panelists and asked several members of the audience to introduce themselves.

Ms. Rader discussed the Resilience in New Mexico Agriculture project led by New Mexico First. Following 13 regional meetings and the creation of a task force, the statewide agricultural plan was developed. It focuses on four topic areas: next-generation farmers, education agriculture, economic vitality and land and water.

Dr. Kraenzel discussed his background with the NMSU Cooperative Extension Service and the agricultural supply chain in New Mexico, noting that 90% of food consumed in New Mexico is produced out of state. Mr. Moya discussed research conducted at NMSU and a survey of 330 food processors assessing the agricultural workforce.

Ms. Roy discussed statistics of the New Mexico food economy and highlighted points regarding food imports and exports and benefits received by the state from the United States farm bill.

Ms. Rader summarized this segment of presentation, focusing on exports for food processing, labor shortages, the United States farm bill, Local Economic Development Act funds, value-added business models and research conducted by NMSU.

Ms. Benson discussed methods to support the agricultural workforce and addressed specific areas, including untrained and aging workforces and barriers in the United States food chain.

Ms. Rader stated that loans and other financing were major concerns in regional and state meetings that her team conducted. She proposed that the legislature support locally based procurement and purchases, agricultural research at NMSU and agricultural workforce development legislation. She proposed a bill seeking \$50,000 to allow qualifying agricultural businesses to address workforce development.

In response to questioning:

- Ms. Roy discussed agriculture-related activities at Central New Mexico Community College, University of New Mexico and Santa Fe Community College;
- Mark Roper, Community, Business and Rural Development Team, Economic Development Department, explained that the agency's Job Training Incentive Program is available for value-added agricultural products, but it is not available for traditional agricultural operations; and
- Tiffany Rivera, Government and Legislative Regulations, New Mexico Department of Agriculture, discussed industrial hemp, noting that the department is currently working to promulgate rules.

Members of the committee discussed several topics, including funding for programs such as Future Farmers of America, the New Mexico Finance Authority and new tax credits, year-round agriculture, jobs, water priorities, water bank legislation, community centers and community gardening.

### **Online Liquor Sales**

John Thompson, John Thompson Consulting, discussed laws relevant to selling alcohol in New Mexico and provided background information on online sales to New Mexico residents. He expressed concerns regarding online liquor sales, including illegal liquor sales to minors, loss of tax revenue and selling alcohol without a license. Mr. Thompson explained online food and alcohol markets, New Mexico's current direct wine shipper permits, direct shipping and out-of-state retailer shipping laws and rights in the United States.

In response to questioning, Mr. Thompson explained that the only regulatory option available for the Alcohol and Gaming Division of the Regulation and Licensing Department (RLD) to address online alcohol sales is to issue a cease and desist letter. He suggested that caution must be taken to avoid harming in-state sellers when creating new policy. He noted that a loophole in New Mexico law allows out-of-state retailers to ship directly to households. He also noted that current law allows New Mexico wineries to ship out of state.

Greg Templeton, general manager, Southern Glazer's Wine and Spirits, stated the following in response to questioning: alcohol servers' license requirements vary by state; New Mexico's laws only permit shipment of wine directly to a home, despite an abundance of online beer and liquor retailers that offer home shipment services to New Mexico; under current statutes, online liquor and beer sales can only be delivered from retailer to retailer, not from retailer to home; and the panel is proposing more regulation because there is currently no specific regulation of out-of-state retailers.

Members of the committee discussed preventing all alcohol shipments from out-of-state retailers; increasing liquor licensing and enforcement, including checks on distribution and shipping companies; the current alcohol regulatory environment; and alcohol consumption by underage minors.

### **Regulatory Update on Liquor License Matters**

Robert "Mike" Unthank, superintendent, RLD, greeted the committee and introduced his co-panelists, Patrick McMurray, deputy superintendent, RLD, and Debra A. Lopez, acting director, Alcohol and Gaming Division, RLD.

Mr. Unthank discussed: recent changes that allow licenses in a local option district to move out of the district; current applicants for liquor licenses; and the application process. He said that the notice and hearing requirements for liquor licenses are unrealistic in rural areas due to the few publication options and to governing bodies that meet infrequently. He advocated for more control of licensing at the local level. Ms. Lopez informed the committee that the RLD is

in regular communication with city clerks to grant waivers for public notice and hearing deadlines.

Mr. Unthank explained that the department works with local and state police regarding reports and concerns about the over-serving of individuals and serving of underage individuals. He stressed the importance of business owners knowing that the department works for them, but also knowing that the department will not tolerate violations.

The committee discussed previously chaptered legislation regarding liquor licenses, including House Bill 243 (2015, Chapter 102). In response to a question, Ms. Lopez explained that a proposal to buy existing licenses and restart the liquor license program would require the state to purchase more than 1,400 licenses, ranging in price from \$450,000 to \$1 million. She posed several questions that would have to be settled in legislation.

Ms. Lopez explained the consequences for sale of alcohol to an intoxicated individual or to a minor. She noted that since 2011, only one liquor license has been revoked. Mr. Unthank added that after a second offense, license holders are strongly encouraged to sell their licenses, and he explained some of the authority he has in determining punishment for violations.

Mr. Unthank explained that liquor licenses are the property of the State of New Mexico, not of the licensed individual who has a user's right to the license.

In response to questions, Ms. Lopez: stated that direct shippers' licenses cost about \$600 and are issued for wine sales only; listed the different types of liquor licenses available; discussed details of licenses for fraternal organizations; and discussed protections for licensees that serve minors who have displayed legitimate-appearing identification.

Committee members discussed: the history of the Liquor Control Act, noting that it is a quota-based system; grandfathered licenses; and processes for acquiring liquor licenses in other states. Ms. Lopez explained that due to the numerous grandfathered licenses, which have caused an excess of liquor licenses, the state population would have to exceed 2.8 million to authorize a new liquor license under the current quota system.

### **License Issues Update**

Ruben Baca, state executive, New Mexico Petroleum Marketers Association, introduced himself as the owner of many liquor licenses and discussed alcohol-related issues, such as driving while intoxicated, selling to minors, server permit requirements and identification card scanning technology.

Maurice Bonal, New Mexico liquor license owner, discussed the history of liquor licenses in New Mexico from the 1940s to the present day. He discussed banking liens and the use of licenses as collateral for acquiring loans or lines of credit.

In response to questioning, Mr. Bonal discussed personal property rights in licenses, types of license transfer and nontransferable licenses.

Matt DiGregory, president and chief executive officer, Home on The Range, Inc., informed the committee that in his discussions with fellow restaurateurs he found that there is a high demand for full-service licenses in the restaurant industry. He reported that the current value of his liquor licenses is \$2 million and his debt service is \$1.2 million. He said that small businesses struggle to compete with chain restaurants that can afford full liquor licenses, and he equated the cost of a full liquor license to the cost of opening a new restaurant location with 50 employees. Mr. DiGregory explained that current license holders do not want to see the value of their licenses decrease and do not want to invite new competition for their businesses. He discussed liquor license costs in other states, and he said that he believes that a restaurant is the safest place to consume alcohol.

Russell Hernandez, owner, Salud! de Mesilla restaurant, discussed his personal history and small-business restaurant. He said that he recently declined to pursue the purchase of an available liquor license due to the cost, but he noted that his restaurants have licenses to sell beer and wine. He discussed his experience working with the Alcohol and Gaming Division and described the economics of his restaurant and liquor licenses.

Committee members discussed the popularity of drinking an alcoholic beverage with dinner, small-business restaurants and the contrasts between bars and restaurants.

### **Liquor Licenses — Legislative Proposals**

Senator Griggs discussed a bill addressing the needs in communities that do not have their authorized quota of liquor licenses, and he listed cities that are under and over their quota. Most communities in New Mexico are over the quota. He discussed the value of licenses and noted that if a license leaves its local option district, the authority to engage in retail package sales is lost.

Senator Griggs discussed a proposed bill to provide more opportunities for restaurants to sell liquor. He discussed changes included in the proposal, including changing language from "meals" to "food"; allowing "type b" licenses for spirits; and requiring local option districts to pass ordinances allowing licenses to be sold in the district. Senator Griggs said the proposed bill provides for business opportunities and noted that restaurant licenses have been stagnant at around 800 active licenses.

Members of the committee discussed burdensome rules and costs for liquor licenses; mechanisms to keep a steady market; hurdles facing liquor license reform; and the proposed legislation.

## **Public Comment**

Nancy Hudson observed that the state's alcohol laws are outdated. She also discussed the impact of minimum wage increases on child care businesses; moving administrative functions for pre-kindergarten services to the Public Education Department; and child care staffing shortages.

Annie Sanchez discussed her personal history and policy barriers to her dream of opening a wine bar in New Mexico.

Julie Estrada, owner of Jerry's Lounge, described her experience as a liquor license owner, including alcohol enforcement in Alamogordo by state agents and local police.

## **Recess**

The committee recessed at 5:22 p.m.

## **Wednesday, September 5 — Cloudcroft**

### **Reconvene**

Representative Rodella reconvened the meeting at 9:03 a.m.

### **Choose Electric Vehicles in New Mexico — New Mexico Rural Electric Cooperative Association**

Mario Romero, chief executive officer, Otero County Electric Cooperative, Inc., introduced Keven J. Groenewold, chief executive officer, New Mexico Rural Electric Cooperative Association; Jason Lindsey, manager, Commercial and Industrial Marketing, Western Farmers Electric Cooperative; and Kylah McNabb, manager, Commercial and Industrial Marketing, Western Farmers Electric Cooperative.

Mr. Groenewold said that the New Mexico Rural Electric Cooperative services about 80% of the state's population and that Western Farmers Electric Cooperative serves four New Mexico electric cooperatives. He discussed electric cars and the potential profitability to electric cooperatives of servicing electric cars.

Mr. Romero said that the Otero County Electric Cooperative owns a Chevy Bolt. He compared the Chevy Bolt and the Tesla Model 3. The cooperative sees electric cars as an opportunity to replace declining revenues from domestic electricity use.

Mr. Lindsey discussed his personal history working in the electric vehicle industry and shared data regarding the economics and market for electric cars. He also discussed the economics and annual operating costs of owning an electric vehicle.

Mr. Romero discussed electricity rates that are priced by time of day and that the rate is raised during peak hours (3:00 p.m. to 9:00 p.m.) to \$.22 per kilowatt hour. He discussed current issues regarding electric vehicles and noted that road use taxes should apply to electric vehicles.

In response to a question, Ms. McNabb explained that 14 states have a type of registration fee or tax to compensate for lost gas tax revenue. Ms. McNabb discussed different types of chargers for electric vehicles and tax credits available in some states and nationally for producing electric vehicles.

Mr. Lindsey, in response to questioning, explained that one goal is to have chargers installed within 50 miles of each other along interstate highways. He told the committee that batteries from electric vehicles can be reused and recycled, preventing them from entering landfills.

### **Horse Racing — Racino Update**

Ismael Trejo, executive director, New Mexico Racing Commission, provided an update on horse racing and racinos in New Mexico. He said that since a low of \$149 million in horse race betting in 2016, the industry has regained the public trust and seen steady growth. He explained that the economic impact of investing in racehorses reaches farmers and breeders and provides overall positive commerce for the state. He said that the racing commission has observed a decrease in the number of drug-positive test results while the number of tests performed has increased. Mr. Trejo expressed confidence that the industry is headed in a good direction. Mr. Trejo told the committee that a bill allowing advance-deposit wagering on New Mexico horses would provide a boost to the industry.

Mr. Trejo told the committee that the racing commission closed its application period for new racing licenses with five application submissions. The commission will travel to each of the applicants' locations to hear presentations and public comment prior to making a decision. Mr. Trejo discussed the time line for applications and processing.

Committee members discussed advance-deposit wagering legislation, sports wagering legislation and potential conflicts with tribal gaming compacts. Mr. Trejo said he believes that racetrack operators would likely support legalizing sports betting.

Jeff True, general manager and president, Ruidoso Downs Race Track and Casino, discussed a horse-related incident that occurred during a race at Ruidoso Downs. Mr. True said that no further investigation of the incident is necessary, and all of the horses in question were later found to be healthy. He explained that the trainer for the ill and poorly performing horses was banned from Ruidoso Downs Race Track and Casino, and any further action would have to be taken individually by other racetracks or by the New Mexico Racing Commission.

### **Livestock Theft and Trichomoniasis Issues**

#### Trichomoniasis

John Wenzel, D.V.M., extension veterinarian, NMSU, gave a brief overview of the trichomoniasis problem in New Mexico and said that requiring mandatory testing for trichomoniasis is being considered by the New Mexico Livestock Board. The board created a committee to determine the need for a rule regarding mandatory testing, and it has conducted

listening sessions for producers around the state regarding its proposals. The response has been both positive and negative. He said that an attorney general opinion concluded that the board does not have the authority to implement mandatory testing, but it can enforce quarantines.

Dr. Wenzel discussed trichomoniasis in other states. Arizona is now in the rule-implementation process; Colorado requires testing for any bull that is released on public land; and Idaho requires annual testing for every bull. Each of these states has seen a substantial drop in the incidence of trichomoniasis, Dr. Wenzel said.

In response to a question, Dr. Wenzel explained the steps required to remove a cow or bull from quarantine. He said that 97% of cows will self-heal if given several months of sexual rest. Trichomoniasis causes conception rates for cows to drop from 91% to 60%. An NMSU modeling system showed a loss in production of about \$400 for each cow that has trichomoniasis.

### Livestock Theft

Robert Alexander, executive director, New Mexico Livestock Board, told the committee that livestock theft is a statewide problem. He discussed an April 2018 meeting of the New Mexico Livestock Board at which ranchers demanded a greater law enforcement presence to prevent theft and protect herds. He discussed coordination with Texas- and Arizona-based law enforcement on road stops, increasing patrols and setting up a tip line. Mr. Alexander said that the board, through its annual budget request, will request funds to purchase new rover vehicles and to aid in investigations of livestock theft claims.

Judy Keeler, New Mexico Cattle Growers' Association, New Mexico Farm and Livestock Bureau, discussed her personal and family history in ranching. Ms. Keeler discussed the personal and economic impacts of livestock theft. She estimated that her community has lost at least 312 head of cattle over the last five years, and she estimated the total loss to be more than \$2 million.

Troy Patterson, livestock inspector and district four supervisor, New Mexico Livestock Board, discussed the inspection processes for cattle that are transported across the New Mexico-Mexico international border. He said that New Mexico is one of a few states with a mandatory branding law. Most states use voluntary brands that are registered at the county level.

Members of the committee discussed current fee rates for cattle inspections, theft in other industries and livestock inspector duties.

Tom Sidwell, president, New Mexico Cattle Growers' Association, discussed concerns regarding livestock economics. He told the committee that most ranchers would likely agree to a small fee increase to help the livestock board execute its duties.

Maeve Garigan discussed her work in developing small devices that are attachable to an ear tag for tracking cattle.

Joe Johnson, rancher, discussed his experience of losing over 200 cows, and he said that the livestock board needs a dedicated investigative team, noting that local law enforcement and the border patrol have other and higher priorities.

Loren Patterson, member, New Mexico Livestock Board, reminded the committee that rules set by a state agency currently allow penalties up to and including a misdemeanor. He suggested that livestock board members ask for greater penalty authority from the legislature.

Cory Praeter, rancher, discussed livestock theft, livestock losses from hunters and mandatory testing of cattle for trichomoniasis. He opposes mandatory testing.

### **Pattern Development: An Investor and Partner to Rural New Mexico**

Ward Marshall, senior director of development, Pattern Energy Group, LP, introduced Crystal Coffman, senior manager of business development finance, Pattern Energy Group, LP. Mr. Marshall provided an overview of the company, including core competencies and community and environmental concerns.

Ms. Coffman discussed the Broadview and Grady wind projects under way in Curry County, New Mexico, and Deaf Smith County, Texas. The overall economic impact to New Mexico is expected to be more than \$900 million. During construction, more than 650 jobs were created during construction, and the Broadview project currently employs 18 full-time workers. Transmission paths for these projects use Arizona Public Service and Public Service Company of New Mexico transmission systems to sell energy to California.

Mr. Marshall discussed the Corona and Mesa Canyons wind projects in Lincoln, Torrance and Guadalupe counties. Construction is scheduled to begin in mid-2019. These projects can feed energy to Albuquerque or to California via the proposed SunZia transmission line. He said that the projects should be completed by the end of 2020.

Ms. Coffman showed the committee images of turbines under construction.

Myra Pancrazio, executive director, Estancia Valley Economic Development Association, shared an economic development report with the committee and discussed jobs and finances in energy production projects.

John D. Groesbeck, Ph.D., president, Mesalands Community College, and Andrew G. Swapp, M.S., wind energy technology instructor, Mesalands Community College, discussed the Wind Energy Technology Program at Mesalands Community College. They discussed the economic and family benefits of wind energy, enrollment for the 2018-2019 program, good job opportunities for students and the growth of the industry in New Mexico.



Joseph Hindi, rancher, Duran, shared his experiences as a rancher and discussed the revenue he receives from Pattern Energy Group, LP for allowing it to operate on his family's ranch.

Members of the committee discussed renewable energy markets, renewable portfolio standards, turbine blade producers and the diversification of the renewable energy portfolio.

**Adjournment**

There being no further business before the committee, the fourth meeting of the Economic and Rural Development Committee for the 2018 interim adjourned at 2:30 p.m.



Revised: October 10, 2018

**TENTATIVE AGENDA  
for the  
FIFTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**October 11, 2018  
New Mexico State University  
Burrell College of Osteopathic Medicine  
3501 Arrowhead Drive  
Las Cruces**

**October 12, 2018  
New Mexico State University  
Fulton Athletics Center  
1815 Wells Street  
Las Cruces**

**Thursday, October 11**

- 10:00 a.m.      **Call to Order, Introductions and Approval of Minutes**  
—Representative Debbie A. Rodella, Chair
- 10:15 a.m.      **Welcome**  
—Kenneth D. Miyagishima, Mayor, City of Las Cruces  
—John L. Hummer, Executive Director and President, Burrell College of  
Osteopathic Medicine (BCOM)  
—Don N. Peska, D.O., Dean and Chief Academic Officer, BCOM
- 10:30 a.m.      (1) **[The Bridge of Southern New Mexico](#)**  
—Tracey Bryan, President and Chief Executive Officer (CEO), The Bridge  
of Southern New Mexico
- 11:30 a.m.      (2) **[Spaceport America Update](#)**  
—Daniel Hicks, CEO, Spaceport America
- 12:30 p.m.      **Lunch**
- 1:30 p.m.      (3) **[Tourism Department Update](#)**  
—Rebecca Latham, Secretary, Tourism Department

2:30 p.m. (4) [Attracting Retirees to Move to New Mexico](#)  
—John Garcia, Executive Vice President, Home Builders Association of Central New Mexico  
—Jay M. Lillywhite, Ph.D., Interim Associate Dean/Director for Academic Programs, and Department Head and Professor, Agricultural Economics and Agricultural Business, New Mexico State University (NMSU)

3:30 p.m. (5) [Update — International Business Accelerator](#)  
—Russell Wyrick, State Director, New Mexico Small Business Development Center Network  
—Jerry Pacheco, Executive Director, International Business Accelerator

4:30 p.m. (6) [Consolidated Interim Storage Facility](#)  
—John Heaton, Board Chair, Eddy-Lea Energy Alliance, LLC  
—Joy Russell, Vice President of Corporate Business Development, Holtec International, Inc.

5:15 p.m. **Public Comment**

5:30 p.m. **Recess**

### **Friday, October 12**

9:00 a.m. **Reconvene — Introductions**  
—Representative Debbie A. Rodella, Chair

9:10 a.m. **Welcome**  
—Dan E. Arvizu, Ph.D., Chancellor, NMSU

9:30 a.m. (7) [Technology Transfer, Innovation and Entrepreneurship at New Mexico Universities](#)  
—Beto Pallares, Ph.D., M.B.A., Bill and Sharon Sheriff Endowed Chair in Entrepreneurship, College of Business, and Arrowhead Investor-in-Residence, NMSU  
—Peter C. Anselmo, Ph.D., Executive Director, Office of Innovation Commercialization, New Mexico Institute of Mining and Technology  
—Lisa Kuuttila, CEO and Chief Economic Development Officer, STC.UNM, University of New Mexico

10:30 a.m. (8) [Accelerating New Mexico's Economy by Boosting Local Economic Development](#)  
—Grant Taylor, Economic Policy Director, New Mexico First  
—Davin Lopez, President and CEO, Mesilla Valley Economic Development Alliance  
—Richard Anklam, President and Executive Director, New Mexico Tax Research Institute

- 11:30 a.m. (9) [Pecan and Hemp Regulatory Update](#)  
—Brad E. Lewis, Director, Division of Agricultural and Environmental  
Sciences, New Mexico Department of Agriculture
- 12:00 noon (10) [Hemp and Cannabis, Industry Outlook](#)  
—Leonard Salgado, Board Member, New Mexico Hemp Association
- 12:30 p.m. **Working Lunch**  
(11) [Emerging Agricultural Technologies](#)  
—Maeve Garigan, Founder and CEO, Reap, LLC
- 1:30 p.m. **Public Comment**
- 1:45 p.m. **Adjourn**



**MINUTES  
of the  
FIFTH MEETING  
of the**

**D** **ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**October 11, 2018  
New Mexico State University  
Burrell College of Osteopathic Medicine  
Las Cruces**

**R** **October 12, 2018  
New Mexico State University  
Fulton Athletics Center  
Las Cruces**

The fifth meeting of the Economic and Rural Development Committee (ERD) was called to order as a subcommittee by Representative Debbie A. Rodella, chair, on October 11, 2018 at 9:05 a.m. at the New Mexico State University (NMSU) Burrell College of Osteopathic Medicine (BCOM) in Las Cruces.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Benny Shendo, Jr., Vice Chair  
Rep. Harry Garcia  
Sen. Ron Griggs (10/11)  
Rep. Rick Little  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez  
Rep. Jane E. Powdrell-Culbert  
Rep. Candie G. Sweetser

**Advisory Members**

Rep. Eliseo Lee Alcon  
Rep. Alonzo Baldonado (10/11)  
Rep. Kelly K. Fajardo (10/11)  
Rep. David M. Gallegos  
Rep. Bealquin Bill Gomez  
Rep. D. Wonda Johnson  
Rep. William "Bill" R. Rehm  
Sen. Bill Tallman (10/11)  
Rep. Bob Wooley (10/11)

**Absent**

**A**  
Sen. Jacob R. Candelaria  
Rep. Rebecca Dow  
Rep. Tim D. Lewis  
Sen. Michael Padilla  
Sen. John Pinto  
Rep. Nathan P. Small  
Sen. Pat Woods

**F**

Rep. Gail Armstrong  
Sen. Craig W. Brandt  
Sen. William F. Burt  
Rep. George Dodge, Jr.  
Rep. Joanne J. Ferrary  
Rep. Yvette Herrell  
Sen. Carroll H. Leavell  
Rep. Sarah Maestas Barnes  
Rep. Rod Montoya  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. Patricia Roybal Caballero

D

Rep. Angelica Rubio  
Rep. Patricio Ruiloba  
Rep. Nick L. Salazar  
Sen. William E. Sharer  
Rep. Elizabeth "Liz" Stefanics  
Rep. Linda M. Trujillo  
Rep. Monica Youngblood

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

### **Minutes Approval**

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

### **Staff**

Randall Cherry, Staff Attorney, Legislative Council Service (LCS)  
Diego Jimenez, Research Assistant, LCS  
Sara Weidmaier, Research Assistant, LCS  
Anthony Montoya, Bill Drafter, LCS

### **Guests**

The guest list is in the meeting file.

### **Handouts**

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

## **Thursday, October 11 — BCOM, Las Cruces**

### **Introductions/Welcome**

Kenneth D. Miyagishima, mayor, City of Las Cruces, welcomed the committee. John L. Hummer, executive director and president, BCOM, discussed recruitment and training efforts at BCOM and discussed the history of osteopathic medicine. Mr. Hummer described BCOM's mission, funding and statistics, including its rank in the top five most diverse medical schools in terms of student population. He said that BCOM is a privately funded, public-private partnership with the Rice University Foundation as the majority owner. Finally, Mr. Hummer discussed the school's economic impact on the area, including its charitable giving of grants and scholarships, low-cost tuition and residencies.

In response to questioning, Mr. Hummer discussed BCOM's program to offer open enrollment for the college entrance examination and Medical College Admission Test preparation courses; professional opportunities for osteopathic practitioners; and the differences between osteopathic and allopathic medical training.



In response to a question, Justin McHorse, assistant vice president of multicultural inclusion and director of communications, BCOM, explained that the small pool of Native Americans applying for medical school spurs competition among institutions. He discussed methods of engaging with tribal communities through youth empowerment programs, a medical explorer program and a Native American-focused medical explorer program.

The committee discussed a recurring legislative request to grant prescription authority to chiropractors. Mr. Hummer said that BCOM could establish a school to ensure that chiropractors are properly educated on this issue.

### **The Bridge of Southern New Mexico**

Tracey Bryan, president and chief executive officer (CEO), The Bridge of Southern New Mexico, discussed her organization's efforts to increase high school graduation and secondary education completion rates while building a diverse and highly skilled workforce to meet needs and fuel economic development. She discussed the early college high school model and best practices to help students make educated career decisions.

Regarding workforce development, Ms. Bryan discussed top industry growth sectors and the Workforce Talent Collaborative, and she explained key connections between education, talent, economic development and job growth. Ms. Bryan explained her organization's comprehensive approach to workforce talent development relating to health care, aerospace, space and defense sectors.

Ms. Bryan discussed academic studies on lifetime incomes and job openings by education level and lifetime earnings by career. She explained that the methodology for the studies is based on work by the Georgetown University Center on Education and the Workforce and discussed the Workforce Talent Collaborative's definition of a good job in New Mexico.

She briefly described [www.NewMexicoTrueTalent.org](http://www.NewMexicoTrueTalent.org) and its career exploration tools.

In response to a question, Ms. Bryan explained that each early college high school operates uniquely, but all studies result in associate degrees, and that the business community provides internship opportunities for students.

Committee members discussed statewide transit needs and work-based learning opportunities.

### **Spaceport America Update**

Jason Lazich, director of infrastructure and ground services, Virgin Galactic, the Virgin Group, Ltd. (VG), and Dan Hicks, CEO, Spaceport America (SA), introduced themselves. Mr. Hicks discussed the renewed national focus on space exploration, the National Space Council and the commercial space market, and he reported on the current status of United States spaceports.

Mr. Hicks stated that the commercial space market is booming, with \$339 billion invested in 2016, \$383.5 billion invested so far in 2018 and predicted annual investment at \$2.7 trillion by 2045. Despite growing competition in the industry, SA has a strategic advantage with its 6,000 square miles of restricted airspace in collaboration with the U.S. Army's White Sands Missile Range and its constant, uninterrupted launch capabilities. Additionally, the location of the facility provides an annual average of 340 days of clear skies, low population density, minimal salt corrosion damage and constant security and privacy.

Current projects are focused on suborbital research, astronaut experience and university outreach and competitions. Mr. Hicks stated that SA's ultimate goal is to grow into a full-service space transportation hub. Mr. Hicks also listed some of the federal, state and local partners and regulatory agencies that affect SA. Capital projects for fiscal years 2020 through 2024 are expected to total \$75 million and will include: vertical launch area improvements; construction of a spaceway taxiway; expansion of the welcome center; building additional ground support hangars; and additional infrastructure to enable rocket motor manufacturing.

Mr. Lazich updated the committee on VG's space portfolio and partnership with SA. VG is the anchor tenant at the spaceport and has signed a 20-year contract with the state for a terminal and hangar facility. VG now has 45 employees based in Las Cruces, more than one-half of whom are from New Mexico. VG plans to relocate an additional 85 employees from its California site and to make further local hires. Since 2013, VG has paid New Mexico more than \$11 million in rent and associated fees. Total in-state spending by the company totals over \$22.5 million.

VG's current focus includes both suborbital spaceflight for scientific research and personal spaceflight. More than 600 individuals from all over the world have already reserved seats.

Mr. Lazich briefly discussed the first annual Las Cruces Space Festival, which VG hosted earlier this year in partnership with SA, the National Aeronautics and Space Administration, known as NASA, NMSU, the Las Cruces Public School District and many others. The event drew almost 3,000 attendees. Mr. Lazich concluded with a brief overview of upcoming projects for 2019.

Responding to questions from committee members, Mr. Hicks outlined the capital outlay requests for SA by year, as well as plans to bring more developers to SA through public, private and federal partnerships. Mr. Hicks said that both Virginia and Florida are attempting similar activity at their spaceports and are receiving substantial legislative funding, which could give them a competitive advantage over SA in the future. Regarding private investment at the site, VG has invested over \$1 million in infrastructure.

### **Tourism Department Update**

Rebecca Latham, secretary, Tourism Department, said that New Mexico tourism is strong

and that yearly visitation has increased by 27.3% since 2010. She discussed increases in visitor spending, tourism-related job growth, the New Mexico True campaign and the high percentage of Tourism Department funds used on advertising and promotion. Secretary Latham told the committee that the New Mexico True campaign yielded a seven-to-one return on investment.

Secretary Latham also discussed the Tourism Department's strategic plan and marketing plans for in-state, drive, fly and niche markets. She described public relations efforts, including media missions, press trips and trade shows, as well as grant funding campaigns such as cooperative advertising programs, Keep New Mexico True and the New Mexico Clean and Beautiful campaign.

In response to questioning, Secretary Latham explained the process to obtain New Mexico True certification and noted that it has been given to over 200 products and businesses. She discussed the methods used to determine advertising approaches in different geographical locations and outdoor and eco-tourism. She expressed her belief that an independent outdoor recreation department is not needed in New Mexico.

#### **Attracting Retirees to Move to New Mexico**

John Garcia, executive vice president, Home Builders Association of Central New Mexico, introduced himself and Jay M. Lillywhite, Ph.D., interim associate dean/director for academic programs, and department head and professor, Agricultural Economics and Agricultural Business, NMSU.

Mr. Garcia discussed areas of advantage and strength for New Mexico that appeal to retirees. He also discussed the background of, and research performed by, Retire New Mexico.

Dr. Lillywhite said that the research has resulted in reports on economic and fiscal impact and best practices and, based upon the research, the group has developed a marketing plan. The research indicates that, to recover a \$1 million investment in marketing, 14 retirees would need to move to New Mexico for a period of 10 years. The research also indicates that these results are attainable.

Mr. Garcia said that the next steps for Retire New Mexico include deployment of a full-scale marketing campaign and a \$1 million funding request.

Committee members discussed income tax exemptions for active military, veterans and other specific groups. They also discussed changes in demands and variables regarding infrastructure, health care, crime and voting patterns as they relate to an older population.

#### **Minutes Approval**

On a motion made by Representative Sweetser and seconded by Representative Garcia, the committee approved the minutes from the July meeting of the ERD.

On a motion made by Representative Little and seconded by Representative Sweetser, the committee approved the minutes from the August meeting of the ERD.

On a motion made by Representative Little and seconded by Representative Sweetser, the committee approved the minutes from the September meeting of the ERD.

#### **Update — International Business Accelerator**

Russell Wyrick, state director, New Mexico Small Business Development Center Network, introduced Jerry Pacheco, executive director, International Business Accelerator (IBA), and other members of the IBA staff.

Mr. Pacheco discussed the origin, mission, metrics and activities occurring at the IBA; changes in the worldwide manufacturing economy; and methods and strategies to expand New Mexico's export economy. He said that New Mexico has a geographic advantage with its proximity to Chihuahua, Mexico, and Mexican maquiladoras. Computer and electronic products are the highest earning category of products exported from New Mexico to Mexico. He also discussed the United States-Mexico-Canada trade agreement.

Members of the committee and Mr. Pacheco discussed ways to expand New Mexico's role in supplying products to manufacturers.

#### **Consolidated Interim Storage Facility**

John Heaton, board chair, Eddy-Lea Energy Alliance, LLC, introduced himself and Gerges Scott, senior public relations consultant, Holtec International, Inc.

Mr. Scott discussed Holtec International, Inc., including the company's manufacturing and storing capabilities. He reported that there is a significant demand in the United States to safely store used nuclear fuel, and he described methods to store those fuels. He discussed Holtec International's proposal for a nuclear fuel storage facility in New Mexico, including a site layout and time line. He said that the first shipment is expected to arrive in 2023.

Mr. Heaton discussed the Eddy-Lea Energy Alliance, LLC and local support for Holtec International's project; shipping and storage methods for used nuclear fuels; the Holtec 190 transportation cask; and the proposed rail-based fuel transportation system. Mr. Heaton reported on safety statistics on used fuel transportation and the progress of construction on the HI-STORE consolidated interim storage facility.

In response to a question, Mr. Heaton explained differences in shipping methods of used nuclear fuels and the waste stored at the Waste Isolation Pilot Plant facility.

Committee members discussed safety aspects concerning land and property surrounding the HI-STORE facility, licensing periods and the potential length of time that waste could be stored in the temporary storage facility.

## **Recess**

The committee recessed at 5:20 p.m.

**Friday, October 12 — NMSU, Fulton Athletics Center, Las Cruces**

## **Reconvene**

Representative Rodella reconvened the meeting as a subcommittee at 9:12 a.m.

## **Welcome**

Dan E. Arvizu, Ph.D., chancellor, NMSU, greeted the committee and discussed economic development, student success, education-to-employability, NMSU online and extension services, branch campuses and the Sunspot observatory.

## **Technology Transfer, Innovation and Entrepreneurship at New Mexico Universities**

Beto Pallares, Ph.D., M.B.A., Bill and Sharon Sheriff endowed chair in entrepreneurship, College of Business, and Arrowhead investor-in-residence, NMSU, discussed technology transfer, entrepreneurship and innovation at NMSU. Dr. Pallares described the Bill and Sharon Sheriff endowed chair in entrepreneurship position and necessary elements for a successful business. He provided a brief description of the Arrowhead Center, including its mission, services, programs and offerings and its statewide reach.

Peter C. Anselmo, Ph.D., executive director, Office of Innovation Commercialization (OIC), New Mexico Institute of Mining and Technology (NMT), discussed OIC projects, including inventor involvement, network-based commercialization and results. The OIC has recruited top law firms as partners and corporations for joint development and monetization efforts, and it has negotiated several license deals for innovations in drug discovery. He described the NMT development process as organic with a strong network of partners locally, in New York and in the San Francisco Bay area. The approach strives to maximize value and assists in early marketing of initial prototypes.

Lisa Kuuttilla, CEO and chief economic development officer, STC.UNM, University of New Mexico (UNM), discussed STC.UNM's history, structure, metrics and commercialization activities. Commercialization activities include invention disclosures, intellectual property protection, marketing and events. Ms. Kuuttilla discussed programs that support UNM start-ups like the Cecchi VentureLab, Lobo Rainforest and the STC.UNM Foundation Co-Investment Fund.

Ms. Kuuttilla also discussed economic development efforts at UNM, including the Lobo Rainforest, Innovation Academy and InnovateABQ.

## **Accelerating New Mexico's Economy by Boosting Local Economic Development**

Grant Taylor, economic policy director, New Mexico First, introduced himself, Davin Lopez, president and CEO, Mesilla Valley Economic Development Alliance, and Richard Anklam, president and executive director, New Mexico Tax Research Institute.

Mr. Taylor discussed town halls conducted by New Mexico First that produced recommendations and strategies to advance economic security and vitality in New Mexico. The suggested strategies included support for local economic development organizations and increased and stabilized funding for economic development to allow New Mexico to become more competitive with other states. He told the committee about successful incentives offered by Texas and its municipalities. He said that the Texas tax structure supports municipal and statewide economic development and contrasted Texas law to New Mexico's Local Economic Development Act (LEDA). He suggested amending the LEDA to allow communities to raise their one-eighth of one cent LEDA economic development tax to match Texas's one-half of one cent rate, as well as removing existing funding restrictions for economic development professional services contracts.

Mr. Anklam noted that the New Mexico gross receipts tax (GRT) rate is more burdensome for businesses than the Texas GRT rate. He discussed potential changes to the Job Training Incentive Program (JTIP) and LEDA, suggested removing existing regulations and noted the need to provide move-in-ready facilities to attract companies and to provide companies with a larger talented workforce.

Members of the committee discussed economic development in small communities, quality-of-life in relation to taxes and municipal-approved taxes and referendum-approved taxes. Mr. Taylor and Mr. Anklam discussed past attempts to attract companies to the state, successes in the tourism industry and the general lack of success in economic development in New Mexico.

### **Pecan and Hemp Regulatory Update**

Brad E. Lewis, director, Division of Agricultural and Environmental Sciences, New Mexico Department of Agriculture (NMDA), discussed efforts to eradicate the pecan weevil; the status of proposed regulations for pecan transport and sale; and increased pesticide spraying against pests. Representative Gomez expressed support for the NMDA's work on pecan regulations and said the industry also supports the department.

Representative Gomez discussed industrial hemp bills that became law following the New Mexico Supreme Court decision nullifying Governor Martinez's attempted veto of the bills. He noted that, as a result of that ruling, the NMDA will conduct the first public hearing regarding proposed rules on hemp production on October 12, 2018 in Las Cruces. He noted that New Mexico is the thirty-third state to legalize industrial hemp production.

Mr. Lewis discussed the proposed hemp rules, noting that the rules were developed by a committee of individuals experienced in hemp and medical cannabis production. The NMDA was cognizant of university policy, state and federal laws, as well as proposed laws, while drafting the proposed regulations. He said that, under current federal law, it is likely that hemp cannot be transported through federal properties such as United States Border Patrol checkpoints and noted that hemp growers may be required to pay a licensing fee of up to \$900.

Mr. Lewis explained that the maximum level of tetrahydrocannabinol (THC) allowed in hemp plants is set at 3%. In response to questioning, Mr. Lewis explained that under the proposed rules, elevated THC levels could result in confiscation and disposal of a crop. He said that the department is still considering regulations to address pesticide use on hemp plants and hemp product marketing.

In response to questioning, Mr. Lewis said that the department is actively attempting to eradicate a piñon-based pest, but he noted that drought is a large contributing factor to recent infestations.

Committee members discussed the risks of growing a crop that may have to be destroyed; the United States' position as the top hemp importer in the world; and a cannabidiol medicine recently rescheduled by the federal Drug Enforcement Agency for medicinal use.

### **Hemp and Cannabis Industry Outlook**

Leonard Salgado, board member, New Mexico Hemp Association, described the association's activities, including its collaboration with medical cannabis specialists, patients and industry members. He explained the different types of cannabis plants; active chemical compounds in hemp and cannabis; different effects of strain variants; and the need for public education on hemp and cannabis. Mr. Salgado discussed Colorado's hemp production and sales statistics, and he noted that 76% of Colorado hemp farmers cultivate a field of one acre or less.

Mr. Salgado anticipates that more than 150 applicants will apply to grow hemp in the first year of registration and discussed the additional jobs that will be added to local economies. He discussed different markets for hemp products; the proposed 2018 United States Farm Bill and other legislation related to rescheduling hemp and cannabis; and the projected hemp industry outlook.

Mr. Salgado discussed the New Mexico medical cannabis industry, noting that: the medical cannabis program now serves more than 58,000 patients; the fastest growing county for medical cannabis licenses in the past year was Grant County, increasing by 97.8%; and the program is expected to serve more than 65,000 patients by the end of 2018.

In response to questioning, Mr. Salgado said that Colorado has produced \$1.5 billion in sales since legalization of cannabis for recreational use.

Members of the committee discussed community and administrative costs regarding recreational cannabis use and fraudulent practices by medical professionals in issuing licenses authorizing medical cannabis use.

### **Emerging Agricultural Technologies**

Maeve Garigan, founder and CEO, Reap, LLC, was unable to attend the meeting.

**Public Comment**

Dale Gannaway, New Mexico Junior College, expressed appreciation and support for economic development efforts involving technology transfer.

David Valdez, NM Brief Relief, discussed his business's efforts to assist individuals in acquiring medical cannabis licenses and expressed support for the medical cannabis program.

**Adjournment**

There being no further business before the committee, the fifth meeting of the ERD for the 2018 interim adjourned at 1:30 p.m.

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Revised: October 30, 2018

**TENTATIVE AGENDA  
for the  
SIXTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**October 31–November 1, 2018  
State Capitol, Room 307  
Santa Fe**

**Wednesday, October 31**

- 10:00 a.m.           **Call to Order, Introductions and Approval of Minutes**  
—Representative Debbie A. Rodella, Chair
- 10:15 a.m.       (1)   **Progress and Innovation in New Mexico Food and Farming Initiatives**  
—Pam Roy, Executive Director and Co-Founder, Farm to Table New Mexico  
—Denise Miller, Executive Director, New Mexico Farmers' Marketing Association  
—Helga Garza, Co-Director, Agri-Cultura Network  
—Virginia Schroeder, Legislative Chair, New Mexico School Nutrition Association
- 11:15 a.m.       (2)   **Workforce Solutions — Labor Market Information**  
—Rachel Moskowitz, Bureau Chief, Economic Research and Analysis Bureau, Workforce Solutions Department
- 12:00 noon       (3)   **State Minimum Wage Enforcement and Court-Approved Settlement**  
—Stephanie Welch, Supervising Attorney for Workers' Rights, New Mexico Center on Law and Poverty  
—Marcela Diaz, Executive Director, Somos Un Pueblo Unido
- 12:30 p.m.           **Lunch**
- 1:30 p.m.       (4)   **CareerWise — Summary of Colorado Program**  
—Ryan Gensler, National Engagement Consultant, CareerWise Colorado
- 2:30 p.m.       (5)   **State Park Fees — Amounts and Usage**  
—Christy Tafoya, Director, State Parks Division, Energy, Minerals and Natural Resources Department (EMNRD)  
—Toby Velasquez, Deputy Director, State Parks Division, EMNRD

- 3:00 p.m. (6) [Legalization of Recreational Marijuana](#)  
—Representative Linda M. Trujillo  
—Robert "Mike" Unthank, Superintendent, Regulation and Licensing Department (RLD)  
—Debra Lopez, Acting Director, Alcohol and Gaming Division, RLD  
—Emily Kaltenbach, Senior Director, Criminal Justice Reform Strategy; State Director, Drug Policy Alliance  
—Jolene Forman, Staff Attorney, Drug Policy Alliance  
—Jeremy Vaughan, President, New Mexico State Police Association

4:30 p.m. **Public Comment**

4:45 p.m. **Recess**

### **Thursday, November 1**

- 9:00 a.m. **Reconvene — Introductions**  
—Representative Debbie A. Rodella, Chair
- 9:15 a.m. (7) [RLD — Building Inspections and Economic Development — Current and Proposed Programs — 2019 Legislative Priorities](#)  
—Robert "Mike" Unthank, Superintendent, RLD
- 10:15 a.m. (8) [Broadband Technology Developments](#)  
—Darrell K. DeMotta, Chief Executive Officer, Rebellis Development Group, LLC
- 11:15 a.m. (9) [Sandia Science and Technology Park Update](#)  
—Jackie Kerby Moore, Manager, Technology and Economic Development, Sandia National Laboratories; Executive Director, Sandia Science and Technology Park
- 12:15 p.m. **Lunch**
- 1:30 p.m. (10) [Small Cell Deployment and Wireless Updates](#)  
—Terri Nikole Baca, Director of External Affairs, AT&T New Mexico
- 2:30 p.m. (11) [Discussion of Proposed Legislation](#)
- 3:30 p.m. **Public Comment**
- 4:00 p.m. **Adjourn**

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

**October 31-November 1, 2018  
State Capitol, Room 307  
Santa Fe**

The sixth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Representative Debbie A. Rodella, chair, on October 31, 2018 at 10:10 a.m. in Room 307 of the State Capitol in Santa Fe.

**Present**

Rep. Debbie A. Rodella, Chair  
Sen. Benny Shendo, Jr., Vice Chair  
Rep. Rebecca Dow  
Rep. Harry Garcia  
Sen. Ron Griggs  
Rep. Patricia A. Lundstrom (11/1)  
Sen. Richard C. Martinez (11/1)  
Sen. Michael Padilla (11/1)  
Rep. Jane E. Powdrell-Culbert  
Rep. Candie G. Sweetser  
Sen. Pat Woods

**Advisory Members**

Rep. Eliseo Lee Alcon (11/1)  
Rep. Gail Armstrong  
Rep. Alonzo Baldonado (11/1)  
Sen. Craig W. Brandt  
Rep. Kelly K. Fajardo  
Rep. Joanne J. Ferrary  
Rep. Bealquin Bill Gomez  
Rep. Rod Montoya (10/31)  
Rep. William "Bill" R. Rehm  
Rep. Patricia Roybal Caballero  
Sen. Elizabeth "Liz" Stefanics  
Sen. Bill Tallman  
Rep. Linda M. Trujillo (10/31)  
Rep. Bob Wooley

**Absent**

Sen. Jacob R. Candelaria  
Rep. Tim D. Lewis  
Rep. Rick Little  
Sen. John Pinto  
Rep. Nathan P. Small

Sen. William F. Burt  
Rep. George Dodge, Jr.  
Rep. David M. Gallegos  
Rep. Yvette Herrell  
Rep. D. Wonda Johnson  
Sen. Carroll H. Leavell  
Rep. Sarah Maestas Barnes  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. Angelica Rubio  
Rep. Patricio Ruiloba  
Rep. Nick L. Salazar  
Sen. William E. Sharer  
Rep. Monica Youngblood

## **Guest Legislator**

Sen. John Arthur Smith

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

## **Staff**

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

Diego Jimenez, Research Assistant, LCS

Lenaya Montoya, Staff Attorney, LCS

Rebecca Griego, Records Clerk, LCS

## **Minutes Approval**

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

## **Guests**

The guest list is in the meeting file.

## **Handouts**

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

## **Wednesday, October 31**

### **Welcome and Introductions**

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

### **Progress and Innovation in New Mexico Food and Farming Initiatives**

Pam Roy, executive director and co-founder, Farm to Table New Mexico, recognized members of the New Mexico Food and Agriculture Policy Council and introduced her co-panelists Denise Miller, executive director, New Mexico Farmers' Marketing Association, Helga Garza, co-director, Agri-Cultura Network, and Virginia Schroeder, legislative chair, New Mexico School Nutrition Association.

Ms. Miller discussed the Double Up Food Bucks program. She explained that the program, initiated in 2015, is funded by recurring appropriations matched by federal grants and allows Supplemental Nutrition Assistance Program (SNAP) recipients to double the value of their SNAP benefits when used at certain retail outlets, including farmers' markets and some grocery stores. Ms. Miller stated that the program improves the nutrition of SNAP recipients and benefits local farmers. She explained the health benefits of a nutritious diet, which contributes to the long-term goal of a reduction in health care costs.

Ms. Schroeder discussed the New Mexico Grown Fresh Fruits and Vegetables grant and the Farm to School program. She noted that the top five New Mexico-grown products purchased by public schools are chile, watermelons, apples, salad greens and pinto beans and that public schools purchased \$873,190 in fruits and vegetables from more than 30 New Mexico producers participating in the program. Ms. Schroeder touted the strong community support for the Farm to School program. In response to a question, Ms. Roy that said for the 2017-2018 school year, schools spent an average of 17% of their budget allocated for produce on New Mexico-grown produce. In response to questioning, Ms. Miller discussed some of the federal grants available for school food programs.

Ms. Garza discussed the Agri-Cultura Network, a cooperative of family-owned farms in the Albuquerque South Valley that demonstrates agriculture-centered culture and engages in traditional practices, such as acequia-based irrigation systems. She described work with member farms in New Mexico and discussed problems facing small farmers, such as marketing, certifications and an aging workforce. Agri-Cultura member farms are not required to be certified organic, but must maintain organic practices.

Ms. Garza said that Agri-Cultura assists small farms by helping to move their produce to larger markets. The network serves as an example of success of small farms in urban settings.

Anthony Wagner, Wagner Farms, discussed his family's history of farming in New Mexico and described recent successes in working with the Farm to School program.

Ms. Roy discussed the proposed New Mexico food and agriculture education grant program, which would be administered by the New Mexico Department of Agriculture and would provide funding for the following K-12 school programs: agriculture education, school gardens and outdoor classrooms and food education. She noted that the program would support and align programs that relate to state testing and education standards and benchmarks. Ms. Roy said that funding for the proposed grant program would be requested in a \$250,000 appropriation from the legislature for awards and operation. In response to a question, she explained that the proposed legislation includes an emergency clause in order to allow schools extra time to contract for food services.

Kelsey Rader, natural resources director, New Mexico First, discussed development of a statewide agriculture plan and identified agricultural workforce issues that significantly impact the state's agricultural economy. She noted that agricultural workforce concerns include the limited number of and the advanced age of agricultural workers. Ms. Rader also discussed a bill that proposes to establish and fund a New Mexico seniors farmers' market nutrition program.

In response to questioning, Ms. Roy explained that schools are required to serve two servings of fruit and vegetables on each plate served to approximately 335,000 students each school day. She noted that New Mexico does not have the production capacity to meet that demand with exclusively New Mexico-grown food.

Members of the panel generally discussed the costs of production, consumer pricing and financial returns to farmers.

### **Workforce Solutions — Labor Market Information**

Rachel Moskowitz, bureau chief, Economic Research and Analysis Bureau, Workforce Solutions Department (WSD), discussed the Economic Research and Analysis Bureau's role as the principal source of labor market information (LMI) for the state. LMI is a compilation of information regarding the state's workforce and is used to publish documents and provide training to public and private entities. Ms. Moskowitz discussed WSD-produced websites using LMI, including websites for career exploration.

Ms. Moskowitz reviewed the June 2018 State of the Workforce Report, which highlights current and future workforce trends, noting the report's analyses of population trends and projections; educational experience and demands; labor force and unemployment; employment and industry; employment projections; and earnings, income and wages.

Ms. Moskowitz discussed the WSD's New Mexico Vets at Work resource guide, a publication developed to help veterans transition from active duty to civilian life, which includes information about education and employment resources. She shared the 2018 Veterans Profile publication, a booklet that provides demographic and economic data on New Mexico veterans.

Ms. Moskowitz also discussed the New Mexico Career Guide and New Mexico's Occupational Outlook pamphlet, a compilation of occupational statistics and projections for New Mexico.

Members of the committee discussed the statistics and information provided. Ms. Moskowitz explained that the information was collected from the federal American Community Survey as well as surveys distributed by the WSD.

In response to questioning, Ms. Moskowitz discussed potential consolidation of and collaboration with bureaus that conduct background checks, compile veteran unemployment statistics and provide resources available to veterans.

### **State Minimum Wage Enforcement and Court-Approved Settlement**

Marcela Diaz, executive director, Somos Un Pueblo Unido, discussed wage theft in New Mexico. She said studies from 2012 suggest a large number of workers experience wage theft and that it is infrequently reported. She explained that there are many reasons an individual may not report wage theft, including that the problem often occurs in rural areas. Ms. Diaz noted that wage theft includes a failure to pay minimum wages, nonpayment for overtime or "off the clock" work, alteration of time cards and misappropriation of tips.

Ms. Diaz stated that repercussions to employees who experience wage theft may include an inability to make timely bill payments and a need to resort to expensive subprime loans. She

noted that an individual facing chronic wage theft may experience further difficulties, such as an inability to secure home or vehicle loans. Ms. Diaz said the entire community suffers when wage theft occurs, as small businesses, local economies and tax bases are affected.

Ms. Diaz told the committee that Somos Un Pueblo Unido received numerous claims that wage theft protections were not being enforced, which prompted the lawsuit against the WSD.

Stephanie Welch, supervising attorney for workers' rights, New Mexico Center on Law and Poverty, told the committee that the lawsuit was filed by workers' rights groups. She noted that in January 2017, a state district court ordered the WSD to start accepting and investigating all wage claims, and in March 2018, the court approved a full settlement of the lawsuit, ordering the WSD to comply with state law. Ms. Welch reported that the order permitted any worker to file a wage claim and required the WSD to issue regulations complementary to law, investigate all claims, including reopening improperly closed claims, and conduct adequate staff training.

Ms. Welch said the lawsuit resulted in improvements for workers experiencing wage theft, including improved access to Workforce Connection Centers, a new ability to file complaints at any Workforce Connection Center, provisions for filing claims by telephone or facsimile and language assistance. She further noted that since the settlement of the lawsuit, the number of wage theft claims has increased, which also increased backlogs in investigations and filings of claims and cases.

Jose Olivas, advocate, Somos Un Pueblo Unido, told the committee his story of experiencing wage theft totaling more than \$70,000 and his efforts to resolve the situation.

Ms. Welch applauded the WSD for the new procedures implemented to address wage theft and added that the WSD will need additional resources to resolve the backlog of cases. Ms. Welch was skeptical that the WSD's requested funds for three additional investigators will be adequate to address the increased backlog of case filings.

Members of the committee suggested that the panel attend the legislative hearing on the WSD's budget during the 2019 legislative session and requested staff to draft a letter to the Legislative Finance Committee outlining the concerns of the panel.

In response to questioning, Ms. Welch noted that some wage theft activities may be mitigated with a change to the law permitting employees who receive tips to receive lower than minimum hourly wages. She concluded by acknowledging that Somos Un Pueblo Unido and other entities have advised the WSD on methods to address the backlog.

### **CareerWise — Summary of Colorado Program**

Ryan Gensler, national engagement consultant, CareerWise Colorado, presented to the committee via Skype. He discussed the CareerWise Colorado youth apprenticeship program formed as a nonprofit public-private partnership that bridges education and career by connecting

industry with schools to create youth apprenticeship systems that have helped businesses recruit, train and retain talent.

Mr. Gensler said that the Colorado public education system's youth apprenticeship program is a successful path for approximately 18% to 23% of students. Based on a Swiss apprenticeship model, the CareerWise program connects high school students with industry, allowing for a bridge between education and career that empowers students.

Mr. Gensler explained that CareerWise apprenticeships ask students to split their time between school, training centers and work. He added that apprenticeships are offered through five primary pathways: advanced manufacturing, information technology, financial services, business operations and health care. Mr. Gensler noted that after completing an apprenticeship program, students may become full-time employees or continue their education.

Mr. Gensler discussed the expected impacts for businesses, including a positive return on investment, reductions in hiring and training costs and increased employee retention. He added that expected impacts for youth participants include debt-free college credit, nationally recognized industry certification, establishment of a professional network and approximately \$30,000 in earnings.

In response to questioning, Mr. Gensler explained that the program has received about \$900,000 in state and federal grants. He also noted that participating businesses are asked to submit an annual payment per student for college course costs. Finally, he stated that, in order for participant businesses to be fully invested in talent development, CareerWise opposes extending tax credits or other benefits to participant businesses.

### **State Park Fees — Amounts and Usage**

Christy Tafoya, director, State Parks Division, Energy, Minerals and Natural Resources Department (EMNRD), said that New Mexico has 34 state parks, including 19 lakes, spanning 191,586 acres of land and water, that receive approximately five million visitors per year. She noted that state park visitation has a positive impact on rural economies. Ms. Tafoya explained that the State Parks Division is composed of 34 separate entities overseeing public safety, buildings and facilities, public education, resource protection, public-private business partnerships, roadways and economic development.

Ms. Tafoya reported that outdoor recreation generates \$6.1 billion in annual direct consumer spending, which supports 68,000 jobs and generates \$1.7 billion in wages and salaries and \$458 million in state and local tax revenue. She noted that state park fees are composed of day use and camping fees and annual day use and camping passes.

Ms. Tafoya noted that Marina of the Year was awarded to the Navajo Dam Enterprises Marina project, which received investments of almost \$6 million. She discussed management



plans for the Bluewater Lake State Park. She noted that state parks also receive support from federal funds, the State Parks Friends Group Summit and community partnerships.

In response to questioning, Ms. Tafoya said New Mexico is one of three states offering annual camping passes and noted that New Mexico sets a 14-consecutive-day limit at a single camping location. She stated that she would consider working with private entities to provide services to state parks.

Members of the committee discussed raising fees to address concerns about financial solvency and to make rates competitive with private entities. The committee also discussed the quick depreciation of state parks and that revenue earmarked for state parks is permanently appropriated to museums.

Toby Velasquez, deputy director, State Parks Division, EMNRD, explained that the state has three methods of raising revenue regarding boats: boat registration fees, excise taxes and park fees. Ms. Tafoya added that modernization efforts, including self-pay kiosks, Wi-Fi availability in parks and online fee payments, will increase the ability for park users to pay fees.

Ms. Tafoya explained that state park needs for fiscal years 2020 and 2021 include a visitor point of contact at Caballo Lake State Park, recreational vehicle dump stations and waste treatment facilities at multiple parks, rehabilitation of wells and water treatment systems at several parks and new campground facilities at Navajo Lake State Park.

Ms. Tafoya discussed staff retention and the need to reclassify positions to align with other agencies, particularly law enforcement positions. She concluded her remarks by noting that the state parks' most critical need is budgetary support. In response to a question, she informed the committee that the EMNRD will seek an additional \$500,000, or about 1% of its base budget, for the next fiscal year.

In response to questioning, Ms. Tafoya stated that the primary challenges of establishing a potential Pecos Canyon State Park in San Miguel County are the costs of lease payments to the Department of Game and Fish and staffing the park. She also discussed the El Camino Real Historic Trail Site owned by the Cultural Affairs Department.

Members of the committee discussed budget-related political strategy and the role of parks as a local economic driver.

### **Legalization of Recreational Marijuana**

Representative Trujillo introduced a panel to discuss the legalization of recreational marijuana, explaining that each member represented a different view regarding this topic. She explained that medical cannabis was frequently an issue in her career as an attorney for schools. She noted that 31 states and Washington, D.C., have legalized medical cannabis and seven of those have enacted regulations allowing qualified students to use medical cannabis on school

grounds, which regulations vary widely and include permitting parents or staff to distribute non-smoking cannabis products. Representative Trujillo stated that other states have opted to leave the development of regulations to local school boards and that many schools require students with medical cards to leave campus to consume their medicine, which can be burdensome to both parents and students.

Representative Trujillo also discussed school responses to electronic cigarette use among school-aged children and the adaptation of e-cigarettes to consume cannabis. She noted that some schools opt to notify law enforcement, while others fine or suspend students.

Representative Trujillo said that the United States Food and Drug Administration (FDA) recently indicated that it may remove cannabidiol (CBD), a non-psychoactive component of cannabis, from schedule one drug regulations, noting that CBD has been found to help reduce or eliminate seizures. She added that, under federal drug testing laws, individuals in occupations such as school bus or mass transit operators could be terminated for a positive cannabis drug screen result.

Robert "Mike" Unthank, superintendent of regulation and licensing, Regulation and Licensing Department (RLD), introduced Debra Lopez, acting director, Alcohol and Gaming Division (AGD), RLD. Ms. Lopez said a majority of recreational cannabis bills introduced in the past have referred oversight authority to the AGD. She noted that many proposals would require agreements and cooperation among agencies such as the Construction Industries Division (CID) of the RLD and the Department of Environment (NMED).

Ms. Lopez said that after reviewing recreational cannabis programs in other states, she anticipates that the RLD will require a minimum of 15 new full-time employees, including legal staff and inspectors, as well as associated costs for vehicles, per diem and technology.

She noted that whether licensing and enforcement should be unified in a single agency or divided across different agencies is a question that should be addressed. Ms. Lopez explained that the AGD's current enforcement responsibilities are divided between the New Mexico State Police, which issues citations, and the RLD, which oversees regulatory matters and hearings. After noting that previous bills included clauses penalizing unlicensed activity with a misdemeanor criminal charge and fine, Ms. Lopez suggested that unlicensed recreational cannabis activity should be charged as a felony with a significant fine.

Jeremy Vaughan, president, New Mexico State Police Association (NMSPA), informed the committee that he appeared on behalf of all NMSPA members and that NMSPA does not endorse or oppose recreational cannabis legalization. However, based on meetings with officials from other states, he noted that New Mexico could face practical problems as a result of legalization. He stated that the NMSPA is primarily concerned with driving under the influence (DUI), market regulation, black market activity and the impact on low-income individuals and communities. He said that DUI enforcement will require a significant increase in effort and

discussed statistics related to DUI, underage use, hospitalization, felony arrests and costs of law enforcement. He noted that NMSPA has concerns about the public perception of law enforcement and respect for the law in general when the state police fail to prohibit activities that remain clearly illegal under federal law.

Mr. Vaughan also stated that he met with business owners who expressed concerns regarding black market activity and untrained vendors making potentially dangerous product recommendations to consumers. He discussed Colorado's recreational cannabis regulations, noting that the regulations exceed 900 pages.

Emily Kaltenbach, senior director, Drug Policy Alliance (DPA) National Criminal Justice Reform Strategy; state director, DPA's New Mexico office, introduced Jolene Forman, staff attorney, DPA. Ms. Forman discussed the DPA's advocacy for policies that decrease the negative effects of cannabis use and possession. She discussed the increasing public support for legalizing recreational cannabis and the limited value of data and statistics from potentially biased agencies such as the National Highway Traffic Safety Administration. She explained that federal law requires some federal agencies to oppose legalization efforts, which results in carefully selected data that misrepresents the true statistics from states with legalized recreational cannabis.

Ms. Forman said reliable research was recently published in the DPA's *From Prohibition to Progress: A Status Report on Marijuana Legalization*, which covers cannabis-related topics such as opioid use disorder and opioid overdose deaths. She discussed cannabis-related statistics, including: significant decreases in marijuana arrests and convictions in states with legalized recreational cannabis; stabilized cannabis use among youth; road safety; revenue collection by state governments; cost savings; job creation; economic development; and social and racial justice implications.

Ms. Forman, who co-authored a report on conflicting federal and state laws regarding cannabis, told the committee that employers can be protected from federal interference by including provisions in recreational-cannabis-enabling legislation to ensure that federal law is not violated and that additional protections can address in-school use and a variety of other concerns.

Representative Trujillo discussed positive aspects of recreational cannabis, including economic development, reduced crime and regulation and oversight of the market. She also discussed less positive aspects, including difficulties in controlling black market activity, driving while under the influence of drugs and increased costs for regulation and enforcement. She added that youth access to cannabis must be seriously considered. In closing, she noted that former congressional Speaker of the House John Boehner now actively supports legalization.

Members of the committee discussed the following topics as they relate to cannabis: High Intensity Drug Trafficking Areas and drug-related statistics; dangers of mixing alcohol and other drugs, including cannabis; illegal drug cartel operations; pesticides, herbicides and water contamination; regulatory costs and anticipated revenue; federal interference with cannabis

programs; addiction; fear mongering; elimination of black market activity; varying severity of intoxication from different substances and combinations; length of presence of cannabis in the human body; substance use and abuse; education; reciprocity with other states regarding medical cannabis; unreliable statistics; unqualified nonprofessionals advising individuals on cannabis consumption; CBD use; upcoming bipartisan legislation regarding medical cannabis and school-aged children; concerns regarding lottery-style licensing approval; and brain development.

In response to questions from the committee, Ms. Forman discussed decriminalization and legalization; drug cartel operations; illicit cannabis production and smuggling to states where marijuana has not been legalized; federal enforcement of possession on federal lands; possession by noncitizens; racial disparities in enforcement of cannabis laws; federal officials' responses to possession of cannabis at a federal checkpoint; lack of evidence to suggest cannabis is a gateway drug; evidence to support cannabis use as an exit drug from opioid and other substance abuses; the presence and use of various substances as vices; validity of field sobriety testing for cannabis intoxication; public information campaigns; packaging that does not appeal to children; dosing standards; and third-party testing.

In response to questions, Superintendent Unthank discussed the difficulty of predicting the total cost to regulate a cannabis program, but anticipated it would be significant.

In response to questioning, Mr. Vaughan shared concerns regarding black market activities; police targeting of minorities; police staffing, particularly in rural areas; and the validity of sobriety tests regarding cannabis.

### **Public Comment**

Earl Conway, volunteer, conservation director, New Mexico B.A.S.S. Nation, discussed the issue of individuals on public assistance using recreational cannabis and that federally funded scientific laboratories, such as Sandia National Laboratories (SNL), may reject employment applicants due to cannabis use.

Mr. Conway also discussed state parks, including licensing opportunities for parks, the park infrastructure needs, grants to support state and county parks and public support through volunteer efforts.

### **Recess**

The committee recessed at 6:25 p.m.

### **Thursday, November 1**

### **Reconvene**

Representative Rodella reconvened the meeting at 9:11 a.m.

## **RLD — Building Inspections and Economic Development — Current and Proposed Programs — 2019 Legislative Priorities**

Superintendent Unthank introduced Pat McMurray, deputy superintendent, RLD, and discussed opportunities for the RLD to encourage economic development. He discussed the importance of regulatory awareness to avoid unexpected costs and to construct safe and reliable buildings. He noted that the RLD can assist in planning construction when consulted ahead of time.

Superintendent Unthank recommended empowering local government entities to take over building inspection programs. He said that, due to the geographic size of New Mexico, it is costly to dispatch inspectors to all areas of the state, adding that the RLD receives complaints about turnaround time and the severe and costly impacts that arise when projects are delayed due to the lack of availability of inspectors. Superintendent Unthank noted that all inspections must be performed pursuant to state law prior to issuance of a certificate of occupancy.

He said that many local entities employ inspectors in planning and zoning departments, but local departments generally do not conduct electrical or mechanical inspections. He noted that, since 1968, an agreement between the state and the City of Albuquerque has allowed the city to perform inspections of Albuquerque Public School District buildings. Superintendent Unthank cautioned that an increase in inspection fees should be anticipated if the state turns over all public building certifications to Albuquerque.

Superintendent Unthank said the RLD assigned an employee to work with the Economic Development Department to ensure that the RLD receives advance notice of development plans and to assist businesses concerning regulatory requirements when investing in large projects in New Mexico.

Superintendent Unthank told the committee that the CID's statutory role is unclear to the general public, which thinks CID is a consumer protection agency, although consumer protection is under the authority of the attorney general. He noted that if a member of the public believes that a contractor has engaged in illegal activity, a complaint must be filed in court rather than through the CID, which is powerless in the current statutory scheme. He added that, because of limited resources and the current two-year statute of limitations on prosecuting licensing cases, very few construction licenses are revoked.

Superintendent Unthank noted that changes to the Construction Industries Licensing Act will be necessary to encourage construction and economic development in rural areas and that modernization would help the state become more competitive. In that vein, he explained that, pursuant to an executive order, the RLD eliminated nine contractor classifications, most of which do not have direct health or public safety components. He noted that declassified occupations include painting, fence building and installing rock walls under six feet tall. He described the method used to determine which classifications could be eliminated and provided a brief history concerning how a number of license classifications have become superfluous.

Mr. McMurray explained that the CID and the Manufactured Housing Division were statutorily separate divisions, but were combined under Governor Susana Martinez's administration due to a lack of available employees. He noted that the division has a construction inspector cross-training program that should help address shortages for specific inspector needs and improve efficiency.

In response to questioning, Mr. McMurray discussed full-time employee vacancy rates and noted that vacancies are primarily caused by budget constraints, in part because of low fees for licenses and inspections, travel expenses and overtime policies regarding inspectors.

In response to questioning, Superintendent Unthank discussed a case study from the University of New Mexico indicating that the CID could be fully funded if licensing and inspection fees were increased by 25%. He added that any additional funds collected could be returned to the state's General Fund. Until fees are increased, the CID is largely reliant upon General Fund appropriations.

Superintendent Unthank addressed unlicensed contractor activity, describing the CID's aggressive investigations unit, and added that, because the CID files criminal charges, allegations must be processed through a metropolitan or magistrate court. He recommended that the statute prohibiting unlicensed activity should be amended to clarify that a violation is a misdemeanor offense, rather than a petty misdemeanor.

Superintendent Unthank discussed efforts in other states to allow private inspectors and peer review, noting that this has been considered but never authorized in New Mexico. He noted that the Taxation and Revenue Department is authorized to use third-party inspectors for externally produced manufactured homes. He also generally discussed differences in inspector classifications, including industrial, residential, electrical and plumbing.

Committee members discussed complaints from constituents regarding delays in inspection completion and concerns regarding piecemeal amendments to the Construction Industries Licensing Act.

### **Broadband Technology Developments**

Darrell K. DeMotta, chief executive officer, Rebellis Development Group, LLC, introduced himself and discussed broadband developments. He said Rebellis' technology uses lasers to achieve internet speeds up to 100 times faster than currently available and to increase data capacity. He said that models are now being tested in the Albuquerque area and units, which should be available to the public by 2020, should provide download speeds around one gigabyte per second within a 500-foot radius.

Mr. DeMotta said the technology has great potential for low-income communities and added that Rebellis has been working with pueblo communities to provide "last mile" connection services. He explained that units are connected to fiber optic cables and can expand wireless

internet access, and he believes that further expansion of the technology to pueblo communities will help improve access to telecommunications, education and health care. He added that an economic study found that communities surrounded by high-quality broadband experience both long- and short-term economic benefits.

Mr. DeMotta discussed a broadband gross receipts tax deduction, noting that, with a lower cost, providers will be more likely to invest in and build infrastructure across the state and country.

In response to questioning, Mr. DeMotta explained that his company focuses on increasing connection speeds while other companies build the necessary cloud-based infrastructure. He also discussed his work with individual pueblos in New Mexico.

### **Sandia Science and Technology Park Update**

Representative Jim Dines introduced Jackie Kerby Moore, manager, Technology and Economic Development, SNL; and executive director, Sandia Science and Technology Park. He explained that the panel was not seeking endorsement of legislation or requesting funds.

Ms. Moore discussed the Sandia Science and Technology Park and its pedestrian-oriented master plan. She described the park's history, noting that its existence is the result of collaborative efforts with state partners using capital outlay funds.

Ms. Moore discussed active companies and organizations at the technology park. She described Aegis Technologies and TEAM Technologies as success stories at the park. She discussed investment metrics and economic impact statistics, noting \$384.8 million in public and private investment in the park; cumulative impacts on gross receipts tax revenues; and wages; and further noted that the average salary for each full-time job in the park is double that of the average full-time job salary in Albuquerque.

Ms. Moore shared photos of the park's twentieth anniversary celebration and discussed goals moving forward to further grow the park.

In response to questions from the committee, Ms. Moore discussed a goal to bring current and potential SNL partners to the park and discussed companies at the park that have partnered with entities such as Kirtland Air Force Base and White Sands Missile Range. She also described employment of university students at the park and commercialization of and collaboration with students' ideas.

### **Small Cell Deployment and Wireless Updates**

Terri Nikole Baca, director of external affairs, AT&T New Mexico, told the committee that small cell nodes have been deployed in New Mexico and that the system was built to address emergency communications delay issues in New Mexico communities. She discussed Senate Bill 14 (2018), which enacted the Wireless Consumer Advanced Infrastructure Investment Act,

noting that shortly after the law went into effect, several municipalities quickly passed ordinances to regulate small cellular provider facilities. She discussed Federal Communications Commission (FCC) actions that have preempted some cities' actions regarding access to rights of way and presumptive fees. She said that New Mexico's laws are consistent with the new federal rules. In response to a question, Ms. Baca said some cities are considering challenging the FCC rules, but she does not anticipate any New Mexico municipalities becoming involved.

Ms. Baca discussed a nationwide public safety broadband network that will provide more reliable coverage, priority access, strong security and resiliency, dedicated public safety applications, technical support and affordable plans.

In response to questions from the committee, Ms. Baca discussed small cell deployment as it relates to city-generated revenue, property taxes, economic development, property maintenance and AT&T New Mexico's current focus on urban areas.

### **Discussion of Proposed Legislation**

#### ***Changing the community population requirement from 10,000 to 5,000 for a "retail business" to be a "qualifying entity" under the Local Economic Development Act (.211166)***

Senator Stefanics proposed the legislation, noting that smaller local entities would be granted an opportunity to provide Local Economic Development Act funds for retail services that local governments may not have the resources to provide on their own.

Members of the committee expressed concern regarding the population requirement reduction and about the intended and unintended consequences of passing this piece of legislation.

Senator Stefanics withdrew the legislation from consideration for endorsement.

#### ***Enacting the New Mexico Agricultural Workforce Development Program Act (.211335)***

A member of the committee noted that similar efforts have been successful in other states and observed that the legislation would help New Mexico farmers and ranchers. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill. Representative Jimmie C. Hall will sponsor the bill.

#### ***Three hundred fifty thousand dollars to the Board of Regents of New Mexico State University to provide food and agriculture education and experiential learning grants to school programs to educate students about food and agriculture (.211398)***

Representative Sweetser presented the bill seeking funds to help schools teach about food and agriculture. Members of the committee expressed support and noted support from outside entities. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill. Representative Sweetser will sponsor the bill.



***One million dollars to the Economic Development Department for a targeted marketing and research campaign to attract retirees to New Mexico (.211419)***

On a motion duly made, seconded and adopted, the committee endorsed the bill.

***Establishing conditions and limitations on importing alcoholic beverages into New Mexico — "online liquor sales" (.211422)***

Members of the committee expressed concern regarding age verification methods and small wine producers. The committee moved to skip consideration of this bill.

***Two million dollars to the Economic Development Department to carry out the purposes of the Economic Development Corporation Act (.211444)***

On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill. Representative Lundstrom will sponsor the legislation.

***One million five hundred thousand dollars to the Economic Development Grant Fund to carry out the purposes of that fund (.211445)***

On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill. Representative Harry Garcia will sponsor the bill.

***Three million nine hundred thousand dollars to the Economic Development Department for the Solo-Worker Program (.211469)***

Eileen Yarborough, executive director, Cibola Communities Economic Development Foundation, explained the formula used to produce the requested amount and that the proposed investment will make the program viable long-term. Members of the committee expressed concern regarding legal definitions, future costs of rent, that it was a multi-year appropriation request and duplication of efforts. The committee moved to skip consideration of this bill.

***Removing a limitation on the amount of local option infrastructure gross receipts tax revenue that may be used for promotion and administration of professional services contracts related to an economic development plan pursuant to the Local Economic Development Act; increasing a municipality's authority to impose a municipal infrastructure gross receipts tax to five-eighths percent; increasing a county's authority to impose a county infrastructure gross receipts tax to five-eighths percent (.211473)***

The committee moved to skip consideration of this bill.

***Creating the rural infrastructure tax credit to stimulate economic development (.211505)***

Michael Sage, deputy director, Greater Gallup Economic Development Corporation, presented the proposal, noting that it will assist communities to acquire certain buildings to encourage economic development. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill.

***Three hundred fifty thousand dollars to the Public Education Department for local procurement of New Mexico-grown fresh fruits and vegetables for school meals (.211522)***

On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill.

***Five hundred thousand dollars to the Department of Health to create a pilot program to provide New Mexico-grown fruits and vegetables to senior center meal programs and to fund the farmers' market nutrition program for seniors (.211526.2)***

Senator Stefanics proposed the legislation, explaining that it will help cover a gap in federal law regarding low-income seniors. On a motion duly made, seconded and unanimously adopted, the committee endorsed the bill.

### **Adjournment**

There being no further business before the committee, the sixth meeting of the ERDC for the 2018 interim adjourned at 2:30 p.m.

## ENDORSED LEGISLATION



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SENATE BILL

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO ECONOMIC DEVELOPMENT; CHANGING THE COMMUNITY  
POPULATION REQUIREMENT FROM TEN THOUSAND TO FIVE THOUSAND FOR A  
RETAIL BUSINESS TO BE A QUALIFYING ENTITY UNDER THE LOCAL  
ECONOMIC DEVELOPMENT ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1.** Section 5-10-3 NMSA 1978 (being Laws 1993,  
Chapter 297, Section 3, as amended) is amended to read:

"5-10-3. DEFINITIONS.--As used in the Local Economic  
Development Act:

A. "arts and cultural district" means a developed  
district of public and private uses that is created pursuant to  
the Arts and Cultural District Act;

B. "broadband telecommunications network  
facilities" means the electronics, equipment, transmission

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1 facilities, fiber-optic cables and any other item directly  
2 related to a system capable of transmission of internet  
3 protocol or other formatted data at current federal  
4 communications commission minimum speed standard, all of which  
5 will be owned and used by a provider of internet access  
6 services;

7 C. "cultural facility" means a facility that is  
8 owned by the state, a county, a municipality or a qualifying  
9 entity that serves the public through preserving, educating and  
10 promoting the arts and culture of a particular locale,  
11 including theaters, museums, libraries, galleries, cultural  
12 compounds, educational organizations, performing arts venues  
13 and organizations, fine arts organizations, studios and media  
14 laboratories and live-work housing facilities;

15 D. "department" means the economic development  
16 department;

17 E. "economic development project" or "project"  
18 means the provision of direct or indirect assistance to a  
19 qualifying entity by a local or regional government and  
20 includes the purchase, lease, grant, construction,  
21 reconstruction, improvement or other acquisition or conveyance  
22 of land, buildings or other infrastructure; rights-of-way  
23 infrastructure, including trenching and conduit, for the  
24 placement of new broadband telecommunications network  
25 facilities; public works improvements essential to the location

.211166.2

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1 or expansion of a qualifying entity; payments for professional  
2 services contracts necessary for local or regional governments  
3 to implement a plan or project; the provision of direct loans  
4 or grants for land, buildings or infrastructure; technical  
5 assistance to cultural facilities; loan guarantees securing the  
6 cost of land, buildings or infrastructure in an amount not to  
7 exceed the revenue that may be derived from the municipal  
8 infrastructure gross receipts tax or the county infrastructure  
9 gross receipts tax; grants for public works infrastructure  
10 improvements essential to the location or expansion of a  
11 qualifying entity; grants or subsidies to cultural facilities;  
12 purchase of land for a publicly held industrial park or a  
13 publicly owned cultural facility; and the construction of a  
14 building for use by a qualifying entity;

15 F. "governing body" means the city council, city  
16 commission or board of trustees of a municipality or the board  
17 of county commissioners of a county;

18 G. "local government" means a municipality or  
19 county;

20 H. "municipality" means an incorporated city, town  
21 or village;

22 I. "person" means an individual, corporation,  
23 association, partnership or other legal entity;

24 J. "qualifying entity" means a corporation, limited  
25 liability company, partnership, joint venture, syndicate,

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1 association or other person that is one or a combination of two  
2 or more of the following:

3 (1) an industry for the manufacturing,  
4 processing or assembling of agricultural or manufactured  
5 products;

6 (2) a commercial enterprise for storing,  
7 warehousing, distributing or selling products of agriculture,  
8 mining or industry, but, other than as provided in Paragraph  
9 (5), (6) or (9) of this subsection, not including any  
10 enterprise for sale of goods or commodities at retail or for  
11 distribution to the public of electricity, gas, water or  
12 telephone or other services commonly classified as public  
13 utilities;

14 (3) a business, including a restaurant or  
15 lodging establishment, in which all or part of the activities  
16 of the business involves the supplying of services to the  
17 general public or to governmental agencies or to a specific  
18 industry or customer, but, other than as provided in Paragraph  
19 (5) or (9) of this subsection, not including businesses  
20 primarily engaged in the sale of goods or commodities at  
21 retail;

22 (4) an Indian nation, tribe or pueblo or a  
23 federally chartered tribal corporation;

24 (5) a telecommunications sales enterprise that  
25 makes the majority of its sales to persons outside New Mexico;

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1 (6) a facility for the direct sales by growers  
2 of agricultural products, commonly known as farmers' markets;

3 (7) a business that is the developer of a  
4 metropolitan redevelopment project;

5 (8) a cultural facility; and

6 (9) a retail business;

7 K. "regional government" means any combination of  
8 municipalities and counties that enter into a joint powers  
9 agreement to provide for economic development projects pursuant  
10 to a plan adopted by all parties to the joint powers agreement;  
11 and

12 L. "retail business" means a business that is  
13 primarily engaged in the sale of goods or commodities at retail  
14 and that is located in a municipality with a population,  
15 according to the most recent federal decennial census, of:

16 (1) [~~ten~~] five thousand or less; or

17 (2) more than [~~ten~~] five thousand but less  
18 than thirty-five thousand if:

19 (a) the economic development project is  
20 not funded or financed with state government revenues; and

21 (b) the business created through the  
22 project will not directly compete with an existing business  
23 that is: 1) in the municipality; and 2) engaged in the sale of  
24 the same or similar goods or commodities at retail."

25 SECTION 2. EFFECTIVE DATE.--The effective date of the

.211166.2

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1 provisions of this act is July 1, 2019.

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HOUSE BILL

54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO AGRICULTURE; ENACTING THE NEW MEXICO AGRICULTURAL  
WORKFORCE DEVELOPMENT PROGRAM ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--This act may be  
cited as the "New Mexico Agricultural Workforce Development  
Program Act".

SECTION 2. [NEW MATERIAL] FINDINGS AND PURPOSE.--

A. The legislature finds that:

(1) agriculture is an important industry to  
New Mexico, providing employment opportunities for rural  
counties, ensuring economic development activities throughout  
the state and providing a nutritious food supply;

(2) it is a challenge for agricultural  
businesses to find qualified and trained agricultural

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1 employees;

2 (3) the majority of New Mexico's farmers and  
3 ranchers are nearing retirement, and it is critical to provide  
4 training and experience to young and beginning farmers and  
5 ranchers to ensure New Mexico's agricultural future;

6 (4) the barriers to entry in agriculture and  
7 ranching for young and beginning farmers and ranchers are  
8 significant, and among these barriers is a lack of access to  
9 training programs that provide real-world work experience;

10 (5) internships are a recognized way to build  
11 a talent pipeline and career pathway to align education,  
12 training and work-based learning; and

13 (6) by offering incentives to agricultural  
14 businesses to create internships, there will be more  
15 opportunities for young and beginning farmers and ranchers to  
16 obtain work experience in agriculture and support themselves in  
17 long-term careers.

18 B. The purpose of the New Mexico Agricultural  
19 Workforce Development Program Act is to provide incentives to  
20 agricultural businesses to create internships to provide  
21 opportunities to young and beginning farmers and ranchers to  
22 obtain work experience in agriculture that can support them in  
23 long-term careers and support New Mexico's agricultural future.

24 SECTION 3. [NEW MATERIAL] DEFINITIONS.--As used in the  
25 New Mexico Agricultural Workforce Development Program Act:

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1           A. "agricultural business" means a business of a  
2 food or agricultural nature, including agriculture production  
3 or processing;

4           B. "board" means the board of regents of New Mexico  
5 state university;

6           C. "department" means the New Mexico department of  
7 agriculture;

8           D. "director" means the director of agriculture;

9           E. "intern" means an individual who is a student or  
10 a young and beginning farmer or rancher employed by an  
11 agricultural business pursuant to the program;

12           F. "program" means the New Mexico agricultural  
13 workforce development program; and

14           G. "young and beginning farmer or rancher" means an  
15 individual who has not operated a farm or ranch or who has  
16 operated a farm or ranch but not for more than ten consecutive  
17 years.

18           SECTION 4. [NEW MATERIAL] AGRICULTURAL WORKFORCE  
19 DEVELOPMENT PROGRAM CREATED--GENERAL PROVISIONS--RULEMAKING.--

20           A. The "New Mexico agricultural workforce  
21 development program" is created and shall be administered by  
22 the department. The department shall promulgate rules for the  
23 program that specify, at a minimum:

24                   (1) criteria for selecting agricultural  
25 businesses for participation in the program, including the

.211335.1

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1 ability of a business to effectively supervise an intern and  
2 offer the intern an opportunity to obtain meaningful work  
3 experience through the business;

4 (2) criteria for an internship to qualify  
5 under the program, including requirements that the internship:

6 (a) provide an intern with at least one  
7 hundred thirty hours of work experience; and

8 (b) not exceed one year in duration per  
9 intern;

10 (3) criteria for an agricultural business to  
11 use in selecting qualified interns, including the required  
12 educational experience for an intern and the ability of the  
13 intern to perform meaningful work for the business;

14 (4) the process and timetable for selecting  
15 qualified agricultural businesses and qualified interns;

16 (5) accounting requirements for tracking  
17 internship costs; and

18 (6) the process for an agricultural business  
19 to seek reimbursement.

20 B. Subject to appropriations by the legislature,  
21 the board, on behalf of the department, may reimburse a  
22 participating agricultural business in an amount not to exceed  
23 fifty percent of the actual cost to the business of  
24 participating in the program. Actual cost includes the wages  
25 paid to an intern, a reasonable allocation of fixed overhead

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1 expenses and all incidental costs directly related to the  
2 internship. Based on the annual appropriation for the program,  
3 the director shall determine how many internships may be  
4 approved, the amount of reimbursement per internship and  
5 whether an agricultural business may be reimbursed for more  
6 than one intern in the same calendar year; provided that an  
7 agricultural business shall not be reimbursed for more than  
8 three internships in the same calendar year.

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HOUSE BILL

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE AND  
THE WATER AND NATURAL RESOURCES COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO PROVIDE FOOD AND AGRICULTURE  
EDUCATION AND EXPERIENTIAL LEARNING GRANTS TO SCHOOL PROGRAMS  
TO EDUCATE NEW MEXICO STUDENTS ABOUT FOOD AND AGRICULTURE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1. APPROPRIATION.**--Three hundred fifty thousand  
dollars (\$350,000) is appropriated from the general fund to the  
board of regents of New Mexico state university for expenditure  
in fiscal year 2020 and subsequent fiscal years for the New  
Mexico department of agriculture to provide food and  
agriculture education and experiential learning grants to  
school programs to educate New Mexico students about food and  
agriculture. Funds may be used by grantees for materials,  
supplies and up to fifty percent of staff salaries. Any  
unexpended or unencumbered balance remaining at the end of a

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1 fiscal year shall not revert to the general fund.

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SENATE BILL

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE ECONOMIC DEVELOPMENT DEPARTMENT  
FOR A TARGETED MARKETING AND RESEARCH CAMPAIGN TO ATTRACT  
RETIREEES TO NEW MEXICO.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1. APPROPRIATION.**--One million dollars  
(\$1,000,000) is appropriated from the general fund to the  
economic development department for expenditure in fiscal year  
2020 for the development and implementation of a targeted  
marketing and research campaign to attract individuals to  
retire in New Mexico. Any unexpended or unencumbered balance  
remaining at the end of fiscal year 2020 shall revert to the  
general fund.

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HOUSE BILL

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE ECONOMIC DEVELOPMENT DEPARTMENT  
TO CARRY OUT THE PURPOSES OF THE ECONOMIC DEVELOPMENT  
CORPORATION ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1. APPROPRIATION.**--Two million dollars  
(\$2,000,000) is appropriated from the general fund to the  
economic development department for expenditure in fiscal year  
2020 for the corporation created by the Economic Development  
Corporation Act to carry out the purposes of that act. Any  
unexpended or unencumbered balance remaining at the end of  
fiscal year 2020 shall revert to the general fund.

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HOUSE BILL

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE ECONOMIC DEVELOPMENT GRANT FUND  
TO CARRY OUT THE PURPOSES OF THAT FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--One million five hundred  
thousand dollars (\$1,500,000) is appropriated from the general  
fund to the economic development grant fund for expenditure in  
fiscal year 2020 and subsequent fiscal years to carry out the  
purposes of that fund. Any unexpended or unencumbered balance  
remaining in the fund at the end of a fiscal year shall not  
revert to any other fund.

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HOUSE BILL

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE

AN ACT

RELATING TO TAXATION; CREATING THE RURAL INFRASTRUCTURE TAX  
CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of Chapter 7, Article 9G NMSA  
1978 is enacted to read:

"[NEW MATERIAL] RURAL INFRASTRUCTURE TAX CREDIT.--

A. Prior to January 1, 2025, a taxpayer who makes a  
qualified investment that is likely to produce quantifiable  
benefits may claim a tax credit in an amount not to exceed  
thirty percent of the cost of the qualified investment against  
the taxpayer's modified combined tax liability or the  
taxpayer's tax liability pursuant to the provisions of the  
Income Tax Act and the Corporate Income and Franchise Tax Act;  
provided that the amount of the credit associated with the

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1 purchase of land or fixed assets shall not exceed fifty percent  
2 of the amount of the credit associated with the cost of  
3 construction of one or more buildings. The tax credit provided  
4 by this section may be referred to as the "rural infrastructure  
5 tax credit".

6 B. The purposes of the rural infrastructure tax  
7 credit are to:

8 (1) stimulate economic development by  
9 providing gap funding for manufacturers, processors and natural  
10 resource extractors to build infrastructure;

11 (2) encourage private investment in  
12 manufacturing facilities;

13 (3) give rural communities an advantage in  
14 attracting investment by private industry; and

15 (4) promote job creation.

16 C. A taxpayer may claim a rural infrastructure tax  
17 credit in an amount not to exceed one million dollars  
18 (\$1,000,000) per qualified investment for not more than three  
19 qualified investments in a taxable year. A taxpayer shall  
20 claim the rural infrastructure tax credit no later than one  
21 year following the end of the calendar year in which the  
22 taxpayer receives a certificate of eligibility pursuant to  
23 Subsection D of this section.

24 D. A taxpayer may apply for certification of  
25 eligibility for the rural infrastructure tax credit from the

.211505.1

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1 authority. The authority shall consider for certification  
2 completed applications in the order received. If the authority  
3 determines that the project is a qualified investment that is  
4 likely to produce quantifiable benefits, it shall issue a  
5 certificate of eligibility to the taxpayer, subject to the  
6 limitation in Subsection E of this section. The certificate  
7 shall be dated and shall include a calculation of the amount of  
8 the rural infrastructure tax credit for which the taxpayer is  
9 eligible. The authority may issue rules governing the  
10 procedure for administering the provisions of this subsection.

11 E. The authority may issue a certificate of  
12 eligibility pursuant to Subsection D of this section only if  
13 the total amount of rural infrastructure tax credits  
14 represented by those certificates in any calendar year does not  
15 exceed ten million dollars (\$10,000,000). If the applications  
16 for certificates for rural infrastructure tax credits represent  
17 an aggregate amount exceeding ten million dollars (\$10,000,000)  
18 for any calendar year, certificates shall be issued in the  
19 order that the completed applications were received. The  
20 excess applications that would have been certified, but for the  
21 limit imposed by this subsection, shall be certified, subject  
22 to the same limit, in subsequent calendar years.

23 F. To claim the rural infrastructure tax credit, a  
24 taxpayer shall provide to the department a certificate of  
25 eligibility issued by the authority pursuant to Subsection D of

.211505.1

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1 this section and any other information that the department may  
2 require to determine the amount of the tax credit due the  
3 taxpayer. If the requirements of this section have been  
4 complied with, the department shall approve the claim for the  
5 credit.

6 G. To receive a rural infrastructure tax credit, a  
7 taxpayer shall apply to the department on forms and in the  
8 manner prescribed by the department. If the requirements of  
9 this section have been complied with, the department shall  
10 issue to the taxpayer a document granting the tax credit. The  
11 document shall be numbered for identification and shall declare  
12 its date of issuance and the amount of the tax credit allowed  
13 pursuant to this section. The document may be submitted by the  
14 applicant with that taxpayer's tax return or may be sold,  
15 exchanged or otherwise transferred to another taxpayer. The  
16 parties to such a transaction shall notify the department of  
17 the sale, exchange or transfer within ten days of the sale,  
18 exchange or transfer.

19 H. That portion of a rural infrastructure tax  
20 credit that exceeds a taxpayer's tax liability in the taxable  
21 period in which the credit is claimed may be carried forward  
22 for a maximum of ten consecutive taxable years.

23 I. Married individuals filing separate returns for  
24 a taxable year for which they could have filed a joint return  
25 may each claim only one-half of the rural infrastructure tax

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1 credit that would have been claimed on a joint return.

2 J. A taxpayer may be allocated the right to claim a  
3 rural infrastructure tax credit in proportion to the taxpayer's  
4 ownership interest if the taxpayer owns an interest in a  
5 business entity that is taxed for federal income tax purposes  
6 as a partnership or limited liability company and that business  
7 entity has met all of the requirements to be eligible for the  
8 tax credit. The total tax credit claimed by all members of the  
9 partnership or limited liability company shall not exceed the  
10 allowable tax credit pursuant to Subsection C of this section.

11 K. If the department determines that the qualified  
12 investment is not substantially complete within twelve months  
13 from the date that a certificate of eligibility was issued, the  
14 department shall timely notify the taxpayer of that  
15 determination. The taxpayer may request an extension of time  
16 in which to complete the project, and the department, if it  
17 determines that meaningful and measurable progress toward  
18 project completion is being made, may grant a six-month  
19 extension. A taxpayer may request, and the department may  
20 grant, more than one extension. If no request is made or if  
21 the department determines that meaningful and measurable  
22 progress toward project completion has not been made, the  
23 department shall:

24 (1) if the taxpayer has not claimed the rural  
25 infrastructure tax credit, extinguish the credit; and

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1                   (2) if the taxpayer has claimed the rural  
2 infrastructure tax credit, deem any taxes to which the tax  
3 credit was applied as unpaid and extinguish the remainder of  
4 the unclaimed tax credit, if any.

5                   L. A taxpayer allowed a tax credit pursuant to this  
6 section shall report the amount of the credit to the department  
7 in a manner required by the department.

8                   M. The authority and the department shall compile  
9 an annual report on the rural infrastructure tax credit that  
10 shall include the number of certificates of eligibility that  
11 the authority issued in the previous year, the number of  
12 taxpayers approved by the department to receive the tax credit,  
13 the aggregate amount of tax credits approved and any other  
14 information necessary to evaluate the effectiveness of the tax  
15 credit. The department shall compile and present the report to  
16 the revenue stabilization and tax policy committee and the  
17 legislative finance committee with an analysis of the cost of  
18 the tax credit and whether the tax credit is performing the  
19 purpose for which it was created.

20                   N. As used in this section:

21                   (1) "authority" means the New Mexico finance  
22 authority;

23                   (2) "department" means the taxation and  
24 revenue department;

25                   (3) "modified combined tax liability" means

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1 the total liability for the reporting period for the gross  
2 receipts tax imposed by Section 7-9-4 NMSA 1978 together with  
3 any tax collected at the same time and in the same manner as  
4 that gross receipts tax, such as the compensating tax, the  
5 withholding tax, the interstate telecommunications gross  
6 receipts tax, the surcharges imposed by Section 63-9D-5 NMSA  
7 1978 and the surcharge imposed by Section 63-9F-11 NMSA 1978,  
8 minus the amount of any credit other than the rural job tax  
9 credit applied against any or all of these taxes or surcharges;  
10 but "modified combined tax liability" excludes all amounts  
11 collected with respect to local option gross receipts taxes;

12 (4) "qualified institution" means a state-  
13 chartered financial institution or a nationally chartered  
14 financial institution;

15 (5) "qualified investment" means an investment  
16 of at least one million dollars (\$1,000,000) in a commercial  
17 enterprise project:

18 (a) that is located in a county that is  
19 not a class A county;

20 (b) whose purpose is to: 1) manufacture  
21 goods for sale; 2) extract natural resources for sale; or 3)  
22 process raw materials for sale;

23 (c) that includes the construction of at  
24 least one building or the construction of at least one building  
25 and the purchase of land or fixed assets, or both;

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(d) that is not functionally related or subordinate to another project that has received or will receive a rural infrastructure tax credit; and

(e) for which a loan from a qualified institution has closed; and

(6) "quantifiable benefits" means economic development as measured by a variety of factors, including increased local hiring, job training, direct and indirect job creation, increased gross receipts tax collection, increased occupancy tax collection, increased property tax collection, increased state corporate and personal income tax collection and increased other fee and revenue collections."

**SECTION 2. APPLICABILITY.**--The provisions of this act apply to taxable years beginning on or after January 1, 2019.



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SENATE BILL

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE AND  
THE WATER AND NATURAL RESOURCES COMMITTEE

AN ACT

MAKING AN APPROPRIATION FOR PROCUREMENT OF NEW MEXICO-GROWN  
PRODUCE FOR SCHOOL MEALS; DECLARING AN EMERGENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Three hundred fifty thousand  
dollars (\$350,000) is appropriated from the general fund to the  
public education department for expenditure in fiscal year 2019  
and subsequent fiscal years for the purchase and distribution  
of New Mexico-grown fresh fruits and fresh vegetables to school  
districts, charter schools and juvenile detention centers  
through the department's school meal programs. Any unexpended  
or unencumbered balance remaining at the end of a fiscal year  
shall not revert to the general fund.

SECTION 2. EMERGENCY.--It is necessary for the public  
peace, health and safety that this act take effect immediately.



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SENATE BILL

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

FOR THE ECONOMIC AND RURAL DEVELOPMENT COMMITTEE,  
THE LEGISLATIVE HEALTH AND HUMAN SERVICES COMMITTEE  
AND THE WATER AND NATURAL RESOURCES COMMITTEE

AN ACT

RELATING TO PUBLIC HEALTH; CREATING A PILOT PROGRAM TO PROVIDE  
NEW MEXICO-GROWN FRESH FRUITS AND VEGETABLES TO SENIOR CENTER  
MEAL PROGRAMS; FUNDING NUTRITION PROGRAMS FOR SENIORS; MAKING  
AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1.** [NEW MATERIAL] PILOT PROGRAM--CREATION.--The  
department of health, in cooperation with city and county  
governments in New Mexico that operate senior centers, shall  
establish and operate in fiscal year 2020 the "fresh fruits and  
vegetables for senior center meals pilot program" to purchase  
New Mexico-grown fresh fruits and vegetables from farmers'  
markets, roadside stands and mobile farmers' markets for senior  
center meal programs approved by the women, infants and  
children program of the department's public health division.

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1 Within two months following the end of fiscal year 2020, the  
2 department of health shall report to the interim legislative  
3 health and human services committee regarding the efficacy and  
4 accomplishments of the pilot program and shall make  
5 recommendations on whether the pilot program should be  
6 continued or expanded.

7 **SECTION 2. APPROPRIATION.--**

8 A. Thirty thousand dollars (\$30,000) is  
9 appropriated from the general fund to the department of health  
10 for expenditure in fiscal year 2020 to purchase New Mexico-  
11 grown fresh fruits and vegetables for the fresh fruits and  
12 vegetables for senior center meals pilot program. Any  
13 unexpended or unencumbered balance remaining at the end of  
14 fiscal year 2020 shall revert to the general fund.

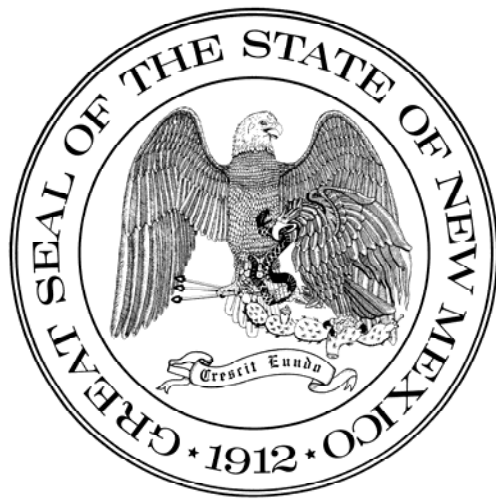
15 B. Four hundred seventy thousand dollars (\$470,000)  
16 is appropriated from the general fund to the department of  
17 health for expenditure in fiscal year 2020 to provide financial  
18 assistance to qualified seniors pursuant to the farmers' market  
19 nutrition program, provided that not more than thirty-five  
20 thousand dollars (\$35,000) shall be used for program  
21 administration or promotion. Any unexpended or unencumbered  
22 balance remaining at the end of fiscal year 2020 shall revert  
23 to the general fund.

24 **SECTION 3. EFFECTIVE DATE.--**The effective date of the  
25 provisions of this act is July 1, 2019.

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LEGISLATIVE COUNCIL SERVICE  
SANTA FE, NEW MEXICO