

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.