

**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 Papen
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.