

TWENTY-FIFTH NEW MEXICO FIRST TOWN HALL

**NEW MEXICO'S OPTIONS FOR TWENTY-FIRST CENTURY SUSTAINABLE
ECONOMIC GROWTH AND PROSPERITY**

ALBUQUERQUE, NEW MEXICO
NOVEMBER 9-12, 2000

We have a vision of prosperity for New Mexico. But we are at a crossroads. We are a state that is not keeping pace in a world of accelerating change. There is a growing gap in economic opportunity in this state. If we are to realize our vision, we must act now, and we must act boldly. We must create the business environment that will retain our most valuable resource, our children. We must create an attitude which attracts quality businesses that support a sustainable quality of life. We believe that prosperity is achievable. Our vision can be realized and prosperity can be achieved through sustainable economic growth. We must take control of our economic future. If we do not, we risk losing the qualities we most cherish about our state.

In order to prosper, we need to set goals and overarching strategies that will allow us to achieve our vision. We need to survey current economic conditions in our state, assessing our strengths and weaknesses. We need to assess national and international trends that will affect our growth. We must choose specific actions that will carry out those strategies. We must establish roles for implementing those actions. Finally, we must identify indicators of whether the actions we mandate have been successful and the goals we set have been achieved. With this plan, we will make our vision of prosperity a reality.

GOALS AND STRATEGIES

We believe that the following goals and strategies are keys to our success:

Collaboration and Partnerships. It is imperative that collaborations and partnerships be formed among the stakeholders in our prosperity. Those stakeholders include federal, state, tribal and local governments, the national laboratories, educational institutions, the business community, nonprofits, the workforce and individuals. Government has an important role to play. That role includes creating an environment for economic growth. But its role is not exclusive; it must act in concert with others.

Business Environment. We need to foster an environment in New Mexico that encourages existing businesses to flourish and attracts new ones. We need to encourage entrepreneurs. We need to make better use of venture capital and other financial resources already available here as well as attract additional resources from outside the state. In trying to recruit new businesses to our state, we must not forget to support our existing businesses. Those businesses provide a base from which we can grow. We should identify and foster clusters of businesses in various locations and regions throughout the state. Legislation and regulation must be made conducive to business activities. There has been no fundamental change to our tax system in nearly fifty years. As a result, our tax system may no longer be appropriate for our current economy. The New Mexico tax structure should be reviewed and evaluated in relation to New Mexico's future

economy. Changes should be made to both the tax and the regulatory system to provide economic growth incentives and remove disincentives in relation to the state's desired future economy. Government must move from a regulatory orientation to being customer-driven.

Infrastructure and Resources. A strong infrastructure is essential to economic growth. Sustainable growth will require greater connectivity with increased investment statewide in telecommunications and transportation infrastructures. We need to be sure our infrastructure is world-class to support "new economy" businesses. We also need to be sure that we have adequate resources, water in particular, to support economic growth. Water is one of the most important issues to deal with in fostering economic growth and, under current circumstances, is one of our more significant limiters. There is a need to develop an integrated and comprehensive policy which provides for efficient use of resources, equity, and meets future needs.

Planning. We must develop a comprehensive, coordinated, statewide plan for economic growth. That plan will require input from the maximum number of stakeholders, including business, government, higher education institutions, tribes and individuals. It must be inclusive. It can't be created in a vacuum. We need to plan for how we will become less dependent on federal spending. Our plan needs to be able to respond quickly to change. Our plan must address our current state of bimodality--high incomes and low incomes--with the aim of narrowing the gap while raising all income levels. Our plan must recognize the need for uniformity throughout the state with respect to certain minimum resources but must allow the flexibility for communities and regions to set their own goals and priorities.

Education and Workforce Development. Education is vital to economic development. We must have a world class educational system, from preschool through K-12 to higher education to opportunities for lifelong learning. We must leave no citizen, whether child or adult learner, behind. Educational improvements will result in broader workforce participation. Programs for the unemployed and underemployed must be formulated to allow entry into and advancement in the workforce. A well-educated, well-trained workforce will serve existing businesses and help to attract new ones. Our educational system needs to be responsive to the needs of the market and work in partnership with the private sector. Our children must be workforce ready which means special emphasis on vocational institutions and linking research to business needs and opportunities. We need to have high quality school facilities that integrate new and evolving technologies. The private sector needs to be an active participant in bringing our school systems into the 21st century.

International. We need to leverage international connections and opportunities. These include, particularly, trade with Mexico. We are not using our location, cultural heritage and attractions to full advantage.

STRENGTHS AND WEAKNESSES

We have many strengths to build upon in achieving our goals and reaching economic prosperity. We also have weaknesses that pose challenges to reaching prosperity. They include:

People. We have an extremely diverse population. That is a strength, but also poses challenges.

Many of our citizens are bilingual. We have a reliable and hard-working workforce.

Business Environment. We have several good incentives for expanding local businesses, as well as recruiting and expanding new business. They include in-plant training, industrial revenue bonds and tax credits. But there is a misperception that our incentives are used only to attract out-of-state businesses instead of encouraging home-grown companies. However our incentives generally do not provide strong support for start-ups. We lack abundant local sources of capital and have limited access to national sources of capital. While our state permanent and severance tax fund balances are substantial, their use for economic development is severely restricted. The permitting and regulation process is cumbersome, redundant, not clearly understood, and often disconnected with the policies it purports to implement. The “zero sum game” paradigm appears to predominate in both government/business and business-to-business interactions over “win-win” solutions. There has been a lack of public/private partnership to demand economic change.

Technology. We are fortunate to have a wealth of technology available within our national labs, universities and private sector. Technology clusters are forming that can foster economic development. Unfortunately, we have a lack of infrastructure in many communities, particularly advanced telecommunications systems.

Quality of Life. This is a great place to live. It is also a great place to start and operate a business. We have a moderate climate and great physical beauty. We are culturally diverse and unique. Satisfaction with our quality of life supports resistance to change and contributes to a lack of will to pursue continued economic development.

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TRENDS

Many national and international trends have implications for economic growth and prosperity in our state. We need to take those trends into account in formulating our plan of action. Among those trends are:

Globalization. We are moving from a local and regional economy to an international economy. Trade barriers are being reduced, through NAFTA and otherwise. U.S. suppliers are moving their businesses closer to the Mexican border as maquiladoras are moving deeper into the

Mexican interior. International tourism is on the upswing.

Technology. The internet is increasing the speed at which business is done. E-commerce is becoming a standard way of doing business. Distance learning is increasing. The 24-hour work day is here. Technology transfer from the national labs and universities is accelerating.

Jobs and the Work Force. Competition for workers is keen. There is a pressing shortage of information technology workers. Jobs in such traditional fields as metal working and mining are declining. The gap between high and low paid workers is increasing. The service sector, once seen as essentially low-pay/low-skill, now requires an increasing number of knowledge workers. Skilled workers are leaving the state as less skilled labor is moving in. Many jobs are being moved to Mexico and other countries with low labor costs. Outsourcing is increasing. Cross-training is becoming more prevalent and more necessary. Women are taking more management positions and starting more businesses.

ACTIONS AND ROLES

The concrete actions - and the roles to be played in implementing those actions - for achieving our goals are the following. Many of the actions pertain to more than one strategy; the headings under which they are placed are, therefore, sometimes arbitrary. Many of the actions indicated involve collaboration and partnerships and, therefore, are not broken out into separate action items.

Business Environment.

- " The private sector shall charter a New Mexico business alliance: a private/public partnership for the purpose of building a business-friendly environment in New Mexico by identifying barriers, determining solutions and taking action. The alliance is to be charged with: (1) reviewing government policies and procedures that impact businesses; (2) reviewing and recommending amendments to permitting and licensing regulations; (3) ensuring that regulations conform to the intent of the policies they are intended to implement; and, (4) consider, analyze and implement any action that will improve the business environment in New Mexico. The alliance is to be bipartisan and composed of influential business leaders. These business leaders will include all stakeholders and are chosen with regard to geography, industry type and size to give broad representation. These business leaders will invite state, local and tribal government and economic development organization representation to participate in the process. The alliance would not require legislative action or seek public funding.

- " Empower the Economic Development Commission with authority to direct a business friendly environment by identifying business barriers in the regulatory process. The Commission will be charged with strengthening New Mexico business by having a formal role in the review and approval of new government policies, procedures and regulations. The Commission will cooperate with the New Mexico business alliance in its efforts on these matters.

- " Create, through an executive order, a customer first committee within the executive branch to evaluate and give feedback to cabinet secretaries on the performance of governmental agencies in providing quality customer service. The committee would serve as an ombudsman for businesses in dealing with those agencies. Quality customer-focused performance and accountability measures will guide these efforts.
- " Encourage, through the private sector, banking organizations, and the Small Business Administration, the formation, development and location of more small business investment companies in New Mexico.
- " Recommend that the New Mexico Economic Development Department work with communities to establish a statewide marketing plan.
- " Promote, through the Economic Development Department and involving state and local economic development agencies, universities and community colleges, national laboratories, tribal governments and the private sector, industry cluster development and business assistance targeted to promising clusters in each region.
- " Provide state matching funds for technology transfer opportunities, as well for as the development of business accelerators, incubators and “e-cubators” throughout the state, whether funded primarily publicly or privately.
- " Review, through a panel including legal and other pertinent experts, the anti-donation clause as amended. The panel will: (1) identify and publicize expenditures allowed under the clause and (2) identify reasonable changes that would enhance public/private collaboration and promote economic development. Throughout this review, the protection of public resources cannot be overlooked.
- " Provide appropriate funding to regulatory agencies to improve the permitting processes. Permitting processes should be revamped to impose time limits for permit review and approval and prohibit *de novo* appeals (i.e., ones in which the evidence and findings of the prior hearing are ignored and new evidence may be introduced) in the permit approvals process.
- " Create and fund a grant writer position in the Economic Development Department. This position would be dedicated to searching out grant sources of funds for economic development initiatives.
- " Automate permit applications and other forms, through the relevant executive department, with oversight by the Chief Information Officer.
- " Modernize corporate laws to be competitive with other states.
- " Instruct the State Office of Indian Affairs to work with businesses, state, local and tribal governments to recognize the unique status of tribes by addressing the litigation and arbitration issues involving tribal jurisdiction.

- " Replace sunset provisions in incentive statutes with mandatory periodic legislative review. Such review should use information available publicly, including information made available by businesses in connection with discretionary incentives. State and local governments should be encouraged to require information such as cost-benefit analysis and annual reporting in connection with the granting of discretionary incentives by such governments.
- " Recommend that the Department of Labor fund and conduct an inventory of our workforce for skill-sets, education level, job readiness and interests, to determine how to advance and diversify our state economy.
- " Create a blue-ribbon panel with representatives from all major stakeholders to inventory existing taxes, evaluate their merits and provide recommendations on how to make our tax system responsive to economic growth on a fundamental level directly related to the needs of the future economy, rather than simply patching the existing system. This process should include an inventory of all taxes in our structure and assess their relative merit. It should further identify constraints on homegrown industries and address how the state can incorporate Native American communities' economic development endeavors while considering their unique status as tribes. Any analysis should address state and tribal dual taxation issues and should lead to an equitable tax structure for all stakeholders. It should include an examination of the equity markets that are involved in moving outside dollars into New Mexico.
- " Amend the tax statutes to provide additional incentives, and remove disincentives, to locate and expand businesses in New Mexico and provide solutions to tribal and state dual taxation issues in New Mexico. These might include: a gross receipts tax deduction for transactions between affiliated companies; a gross receipts tax deduction for software development, web design and web hosting companies located exclusively in rural communities; a reduction in the top marginal personal income tax rate; elimination or reduction of the tax on long term capital gains on investments in New Mexico-headquartered companies; an increase in the rural jobs tax credit; a "tax holiday" for start-up companies doing research and development; a gross receipts tax deduction for federally funded research contracts (not including Sandia National Lab) and a gross receipts tax /compensating tax deduction on purchases of equipment by manufacturing firms and call centers, which, among other things, may eliminate the need for many industrial revenue bond requests. However, it must be kept in mind that New Mexico has limited government resources and urgent needs to increase funding for education, public infrastructure and other public needs; and, therefore, New Mexico must get the greatest net economic benefit from the tax relief and incentive programs provided to business.
- " Expand, through legislative action and the efforts of the State Investment Council and the State Investment Officer, the use of the state's venture capital portion of investment funds to attract businesses to the state and to help existing businesses expand.
- " Promote, through the Governor's office, the Department of Labor, the Department of

Economic Development, the New Mexico Mortgage Finance Authority, the New Mexico Finance Authority, Small Business Development Centers, the Association of Commerce and Industry, and local chambers of commerce, a public awareness campaign. This partnership would communicate all pertinent information to employers through newsletters, speaking engagements and the news media. This should begin following publication of the Town Hall's report but no later than January 2001.

Infrastructure and Resources.

- " Encourage the Public Regulation Commission and appropriate executive agencies to move forward with a public/private collaboration to develop New Mexico's infrastructure and stimulate private sector investment by telecom providers, by aggregating demand of state government, K-12 and higher education, public television, health care, business and industry and other potential customers in the existing multi-agency network (MAGNET).
- " Use performance based rate setting by the Public Regulation Commission for telecommunications providers to stimulate infrastructure investment. Encourage the PRC to enforce the principles of H.B. 400 to create and foster a favorable environment to increase private sector telecommunications investment. Also, the Legislature should enact further incentives to accelerate private sector investment.
- " Benchmark, through the New Mexico Economic Development Department with input from Connect New Mexico, rights-of-way legislation against other states with a view to encouraging telecommunications and electrical deployment. Request that the Public Regulation Commission review and evaluate the economic impact of right-of-way fees for telecommunications companies and customers. The PRC should recommend policies and procedures that would promote economic growth by minimizing these costs.
- " Prohibit, by legislative or Public Regulation Commission action, telecommunication right-of-way fees at a level greater than cost to the granting governmental entity.
- " Encourage opportunities to tap into communications lines as a condition to granting rights of way, through legislative action or Public Regulation Commission rulemaking.
- " Establish, under the auspices of the Economic Development Department in partnership with local and tribal governments, "connect teams" in communities throughout the state to promote telecommunications access.
- " Develop strong transportation infrastructure statewide. Priority should be given to four-lane highway additions where appropriate in rural New Mexico. Highway construction and building of the telecommunications infrastructure should be coordinated.
- " Take inventory, respecting private industry's right to retain proprietary information, through the relevant executive agencies working with universities, the national laboratories and local and tribal governments, of existing water, energy, telecommunications, housing and other resources and infrastructure elements in the state.

- " Reestablish programs that provide seed money funding for Centers for Technical Excellence at state universities.
- " Develop, through the national laboratories, universities and the private sector, new technologies for making non-potable water potable in an economically viable manner. The existing executive and legislative study groups should finalize conclusions, identify areas of common need, integrate the work product, and develop legislation for the 2001 legislative session. Work with the universities and the national laboratories to access technologies and processes to support and protect critical infrastructure in the state and local communities.
- " Require modernization of the State Engineer's office by January 1, 2002, to include development of a statewide electronic database of relevant data, including water rights and resources, and adequately fund interstate and other critical water rights litigation and resource issues.
- " Develop, through the State Engineer's office, a strategy to balance habitat conservation with agricultural, industrial and municipal water needs.
- " Develop, under the auspices of an interim legislative committee, a plan to ensure efficiency, equity and sustainability in the distribution of water resources to meet our future needs.
- " Promote, through the State Highway and Transportation Department, alternative modes of transportation to conserve energy. Additionally, the Department should collaborate with other relevant agencies to develop a growth management plan that complements mass transportation.

Planning.

- " Create a comprehensive statewide economic development plan with input and support from all major stakeholders, including the executive and legislative branches, local and tribal governments, educational institutions, national labs, economic development groups and the private sector, that will, among other uses, be used to prioritize funding requests. The plan developed by the Economic Development Department would provide a good starting point.
- " Request the New Mexico Industrial Development Executives Association to immediately convene a bipartisan group consisting of the Economic Forum, the Association of Commerce and Industry, Rural Payday, the Business Quarter, the Governor's Business Advisory Council and other groups to develop consensus on an economic development plan. If all major shareholders accept the plan, then New Mexico First should support funding for implementation of the plan in the 2001 legislative session.
- " Recommend a budget of at least \$3 million for the New Mexico Economic Development

Department to promote New Mexico as a place to do business. This funding should be provided in the 2001 legislative session.

- " Encourage the Legislature to study the total capital outlay process to make sure that public resources are spent in conjunction with the priorities of local governments.

Education and Workforce Development.

- " Acknowledging the importance of a strong education system to economic development, increase funding for public education at all levels for K-16 teacher and faculty salaries. Current, non-recurring surpluses should be used for capital improvements for public and higher education.
- " Adjust the higher education funding formula to support and provide funding for non-credit workforce development programs. Review the current formula.
- " Provide funding for other innovative programs to stimulate workforce development, especially in high-skilled jobs.
- " Increase funding for the in-plant training program to \$15 million and consider expanding the scope to include technical and professional positions. Include in-plant training funding in the Economic Development Department budget as part of the general appropriation act rather than through separate legislation.
- " Use the provisions of the Workforce Investment Act and the boards created by it as vehicles to improve coordination among workforce training programs.
- " Study the creation of a comprehensive community college system that can coordinate and effectively deliver workforce development training programs and services.
- " Modify regulatory and statutory requirements that currently inhibit expansion of concurrent enrollment between high schools and institutions of higher education.
- " Provide state matching funds for privately endowed chairs and professorships at New Mexico four-year universities.
- " Develop state/private incentive packages to encourage and supplement in-state workforce training and retraining including the community college high skills matching funds program.
- " Earmark a portion of adult education funding for family literacy programs in partnership with Workforce Investment Act programs.
- " Provide, through the State Board of Education, post-secondary institutions and local boards of education, with input from private industry, funding for training, design, and promotion of curricula that emphasizes reading, math, science and other skills needed for

today's job market and New Mexico's future economic needs.

- " Provide full legislative funding for the higher education formula to provide adequate incentive to expand educational opportunities outside the classroom using distance education.
- " Develop, expand and fund programs in entrepreneurial training in all public institutions of higher education, with a particular emphasis on international and technology entrepreneurial training.
- " Change the higher education funding formula to reflect the needs of business education, recognizing the increased need for equipment, software and research.
- " Develop and distribute, through regional workforce development boards, a database to match students (by educational levels, job-readiness, interests and otherwise) with industry recruiting needs.
- " Create and maintain, through the regional workforce development boards, a database of funding sources for workforce development programs.
- " Create, through the Department of Education in collaboration with post-secondary educational experts, teacher unions, and private industry, an alternative certification standard and process for "community scholars" and vocational teachers.
- " Develop, through private sector organizations, a media-campaign to emphasize the importance of staying in school and the opportunities an education provides.
- " Promote, through public and private sector collaborative efforts, a network of "technology competency" centers to provide members of all age groups with training in the use of computers and other technology tools.
- " Promote, through the State Education Department, local school districts and industry groups, awareness of careers in the building trades and artisanship.
- " Support, through this Town Hall's implementation team, the efforts and recommendations of the Town Hall on education.

International.

- " Continue and increase international trade programs that include public and private sector efforts such as the New Mexico Border Authority and the New Mexico-Chihuahua Commission to promote Mexico/New Mexico business development, through linkages in tourism, agriculture, trade and infrastructure.
- " Benchmark, through the Border Authority, other states' efforts to make use of NAFTA in doing business with Mexico.

- " Encourage the Trade Division of the Economic Development Department and the New Mexico Border Authority to work with New Mexico companies which have out-of-state headquarters that export to Mexico, to capture data that accurately reflects the actual exports from New Mexico into Mexico.
- " Develop, through the Highway and Transportation Department, in conjunction with the federal government, and with funding from the Legislature, a regional intermodal transportation center in southern New Mexico.
- " Expand, in conjunction with our federal delegation, the capacity of the three existing Mexico/New Mexico border crossings.

Implementation Team.

We charge the 25th New Mexico First Town Hall implementation team to pursue the above actions.

INDICATORS

The following indicators will help us assess whether we have achieved our goals:

- " Increased individual and business migration into New Mexico.
- " Increased business expansions and retention in the state, including those on tribal lands and reservations.
- " Increased, by 20% per year, number of businesses with 500 or more employees headquartered in the state.
- " Reduced incidence of remedial training for high school graduates.
- " Increased number of patents issued to the private sector in New Mexico.
- " Increased public and private R&D dollars invested in New Mexico.
- " Increased number of employees of companies formed in New Mexico as a result of technology commercialization from the national laboratories and universities.
- " Reduced overall and child poverty rates below the national average within five years.
- " Lowered dropout rate.
- " Lowered unemployment rates to rates which are no higher than surrounding states.
- " Net creation of above-average wage jobs that lead to higher per capita income in the

state.

- " Increased state per capita income relative to the U.S. average per capita income so that it is not less than 100% for metropolitan areas and 80% for non-metropolitan areas.
- " Increased satisfaction with the state's business climate as indicated on business surveys.
- " Increased net investment in the state.

CONCLUSION

There can be nothing more important to the future of our state than achieving the prosperity that we believe will be the result of implementing the recommendations of this report. We urge that these recommendations be pursued vigorously and quickly -- and have so charged the implementation team -- so that the citizens of our state may enjoy that prosperity in the very near future.