**“LEGISLATIVE WRAPUP AND ECONOMIC DEVELOPMENT IN NEW MEXICO”**

**APRIL 19, 2015 PRESENTATION TO THE NORTH I-25 BUSINESS ASSOCIATION**

**JON BARELA, CABINET SECRETARY, NM ECONOMIC DEVELOPMENT DEPARTMENT**

Paul Lucero of Sparkle Maintenance introduced Jon Barela, a long-time family friend.

“I am optimistic about the next few years in New Mexico, said Jon Barela, adding “the path ahead will be arduous.”

In thirty minute’s time, Barela ranged widely in his view of the economic climate in New Mexico, our challenges, and opportunities. He discussed:

Statewide, NM is “about even” with national unemployment rates.

* A challenge is to balance the multiple interests in the state.
* Reliance on Federal monies has grown:
  + In late 1980’s, NM ranked as third most reliant state
  + In 2013, NM was the most reliant of the states.
* National trends show that the private sector is growing and government jobs are “falling off the cliff.”
* Decreases in Federal monies and jobs have had a negative effect on NM’s private companies.
* “We must set a course on being more self-reliant and less dependent.”
* The economic development pipeline can be as long as three years.
* Lower corporate income tax and small business incentives make us more competitive nationally and internationally.
* “Job growth in NM is the strongest it has been since 2006. We are starting to see a rebound that will have ripple effects.”

Despite the acrimonious Legislative session, economic development fared well.

* Increase of $37.5 Million in the closing fund for local economic development was helpful. However, contrast this with that of Texas at 1/3 of a Billion dollars.”
* Job training incentives were increased with strong bipartisan support.
* Dollars for the Main Street program were increased. Main Street benefits many smaller communities, but some areas in Bernalillo County also benefit.

International Trade

* “It’s always seemed counter-intuitive to me why four years ago New Hampshire did more business that New Mexico did with the Republic of Mexico!”
* The Chinese manufacturing experiment has failed.
  + Higher end goods, electronics and machine goods are tending to leave China because:
  + Unpredictable manufacturing system
  + High transportation costs
  + Pollution
  + Rising wage rates
  + Terrible quality
* “We need to seize upon reshoring these jobs.”
* “It’s not too opitimistic that NM should be the gateway for trade with the Americas.”
* New emphasis on trade in the Americas has created 16,000 new jobs in all areas of the state, with the majority being created by small businesses.
* Barela and other New Mexico economic development officials recently were invited to meetings in Mexico by President Enrique Piña Nieto.
* New Mexico now is #1 in the country in growth of trade with Mexico. It was up 93% last year.

Look at the Department’s website

<http://gonm.biz/business-resource-center/edd-programs-for-business/international-trade/>

to view details of their aggressive foreign trade policy.

* In companies involved in foreign trade, wages tend to be 50% higher than other companies.
* “We (NMDED) are here to serve the private sector.”
* The private sector moves our economy forward; it creates opportunity
* By eliminating punitive taxes and training our workforce, we will make NM a place to grow.”

Q&A:

Q: What types of businesses are engaged in import/export?

* Businesses in every sector; most growth in:
* Finished metal goods, transportation services, agriculture (raw and value-added.)
* Barela complimented CNM and the Workforce Training Center on customizing curriculum to employers’ needs. This is effective with economic development prospects.
* A sector by sector Trade Report is available from Barela’s office.

Q: Where is job creation happening?

* Seeing some growth in Albuquerque
* Services – professional services, IT, Comcast (400 new jobs)
* Albuquerque has a diversified pipeline
  + In discussions with Manufacturing, tech firms, companies from California, back office operations
  + NM is a finalist on 3 major relocations. “If we got all three, it would mean 3,000 jobs
  + Decisions expected in the Fall

Disappointments in the Legislative Session:

1. No capital outlay package meant $250 Million out of the state economy
   1. Capital outlay should be for large projects such as the recent PDN reconstruction.
2. Package of 5 tax bills that had support until killed in the last moments by a filibuster.
3. Right to Work
4. It’s a tough issue for some politicos
   1. “Not all unions are created equally”; Barela sees some as obstructionist.

* We must do something about our public education system.

Q: Does ability to negotiate utility rates become a factor in some relocation decisions?

* Barlea stated that PNM has been a great and responsive partner in recruiting.

Q: What is happening with Intel?

* The Rio Rancho site is in no danger of closing.
* Barela meets monthly with the Intel site manager
* Intel has overcapacity now; when market comes back, that capacity will be absorbed
* He has encouraged Intel to diversify their huge site
* Labor count has gone down as mechanization has increased, meaning fewer jobs
* The “Single Sales Factor” tax restricting is very important to have and it keeps Intel’s Rio Rancho site on the radar for the company’s reinvestment in the site.
* Intel is a real company, unlike Tesla, which has not built a product.
  + Tesla was a huge gamble, a $1Billion deal for Nevada
  + Nevada had to eliminate many economic development incentives, including those to the film industry, to finance the deal.