Governor Richardson’s

Strategic Infrastructure
Investment Plan
For New Mexico

December 2003
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Investing in New Mexico’s infrastructure is key to our State’s economic vitality and our people’s quality of life. New Mexico must act now and be willing to invest the billions of dollars necessary for water systems, quality schools, good roads and affordable housing to grow the State’s economy and protect our future quality of life. Billions of dollars in financing must be invested in accordance with a detailed plan.

The “Governor’s Finance Council” created in May 2003 was charged with drafting a strategic infrastructure plan for New Mexico. This report provides the plan, “Invest New Mexico”.

The Governor’s Finance Council recommendations can be easily summarized:

**Use the “Invest New Mexico” Plan**

New Mexico’s lack of “one plan” that identifies priorities and funding sources to address those needs through a strategic set of infrastructure investments is our biggest weakness. Without a plan we cannot raise the billions necessary; and without a plan, the State cannot invest the funds wisely. The current system is often haphazard, unstable and far too political. The enclosed plan, Invest New Mexico, is a starting point that will set our State on a new path: a carefully planned, well financed and professionally managed path that will rebuild New Mexico.

**Dramatically Expand Financial Resources to Pay for “Invest New Mexico”**

Plainly stated, New Mexico faces a virtual “perfect storm” of infrastructure financing problems, but chief among them is the $15 billion dollars of investments the plan requires. This magnitude of infrastructure needs clearly outstrips the State’s current available resources. Traditional financing sources must be joined with alternative financing. Partnerships and financing alliances must be formed, and all carefully monitored in order to stay fiscally disciplined for the decade ahead. This financing challenge is both immediate and long term – we need to invest millions right now and several billion more over the next ten years.

**Develop and Sustain Strategic Partnerships in Support of the “Invest New Mexico” Plan**

State government cannot carry out this plan alone. Instead, the State must form partnerships, in which all partners share responsibility for planning and financing the infrastructure. This investment partnership must be sustained for 10 to 15 years. While public sector partners may initially form the core of the new alliance, the Governor’s Finance Council sees private sector partners as also essential. The Governor’s quick actions to cut taxes, reform education and grow the State’s economy are already paying dividends. Now, New Mexico must take another critical step to secure its future---it must invest billions in itself as a State. Without these investments, the State’s future prospects for growth are dim. Continued population growth, the impacts of the continuing drought, the shortage of affordable housing, a lack of quality classrooms for every student and the need to create thousands of new high wage jobs all speak to the urgency of taking immediate action to implement “Invest New Mexico”.

“Invest New Mexico” is only a first step -- a first blueprint and a balance sheet. The Governor’s Finance Council urges you to take the next step and implement our “urgent recommendation” list as well as establish an Invest in New Mexico partnership to champion the plan over the years ahead. The State’s future depends on your actions.
FINDINGS AND URGENT RECOMMENDATIONS

Most New Mexicans agree we need to invest more funds -- much more, in our State’s infrastructure. Better roads, more schools and improved water systems mean a better quality of life. Opportunities abound to invest in new facilities as well as rebuild old ones. New Mexico is on the cusp of a new era of infrastructure construction. From water supply projects in rural New Mexico to high speed rail projects in our urban areas, New Mexico’s future is bright.

However, these investment opportunities can be captured only if New Mexico changes how its government does business. New Mexico must face hard facts and change old ways. The following list of ten findings and urgent recommendations is offered for review:

Finding 1: Too many infrastructure decisions are made from “laundry lists” and then subjected to political “pork barrel” project selection.

Recommendation: Adopt a strategic infrastructure investment plan, such as “Invest New Mexico”, build consensus around it and use it to guide all decision making. We reform the capital outlay process at the 2004 session.

Finding 2: Much of our infrastructure is old and out-dated -- elementary schools, residential housing, roads and bridges, etc. A massive rebuilding and renovation program is fully justified.

Recommendation: Focus half of all investments on repairing and updating existing infrastructure, rather than only building new facilities.

Finding 3: New Mexico infrastructure investment decisions are made piecemeal with little intergovernmental coordination and even less coordination with the private sector.

Recommendation: Build consensus around the “Invest New Mexico” plan by partnering with federal agencies, and local and tribal governments; by insisting that all state agencies plan together; and by urging all key private sector partners to buy into the Invest New Mexico plan over the year ahead.

Finding 4: Far too many infrastructure projects are local projects chosen and built in a planning vacuum. With almost two million citizens, an increasingly urban population and New Mexico facing the global economy head on, the era of purely local infrastructure projects may be near its end. Increasingly, decisions must be planned regionally and statewide, with financing sought from outside our borders.

Recommendation: “Think locally but act regionally” and according to a statewide infrastructure plan, such as Invest New Mexico offers.
Finding 5: Far too many infrastructure decisions are “static” rather than “dynamic”; too many projects are looking backward rather than forward. Too often, the State is only replacing and replicating infrastructure of the past, rather than building for the future. New Mexico will change dramatically over the next 25-50 years. We must build looking ahead, not backward.

Recommendation: Make investments looking forward according to a strategic vision of our economy, our natural resources, our strategic position and the quality of life our people seek. “Invest New Mexico” is a starting point for that new vision of our future.

Finding 6: A significant number of regulatory barriers, market disincentives or under-pricing of infrastructure services are causing resource waste and over consumption, and may reduce full private sector participation in providing infrastructure.

Recommendation: Over the next year, seek legislative, regulatory and administrative solutions to these market and pricing problems. A possible starting point is: The extreme drought facing the state may present an opportunity to address the widespread under-pricing of water that leads to persistent waste of this essential resource.

Finding 7: New Mexico is under-utilizing and inefficiently using existing infrastructure.

Recommendation: New Mexico definitely needs to build more infrastructure but New Mexico must also make optimum use of its existing facilities. This optimizing approach will allow the State to increase to the fullest our return on all investments. Traditional supply side infrastructure planning must be tempered by these strategies for better and increased use of existing facilities and for increased yield on investments.

Finding 8: New Mexico too often has failed to maintain its facilities. Consequently, the State is facing a deferred maintenance crisis; either we pay a little more now or we will pay much more later.

Recommendation: Pay as we go. Require life cycle costing analysis in advance, and require government agencies to budget annually for maintenance. Also, monitor agencies to make certain they carry out the maintenance needed.

Finding 9: Too often New Mexico is funding and building “dinosaurs”. Millions are spent on facilities that are energy and water inefficient and expensive to operate. These high operation and maintenance expenses are unnecessary, and the lack of state of the art buildings fails to stimulate innovation. This situation also presents a poor public image of our State.

Recommendation: Build and invest smarter. Innovate.

Finding 10: Infrastructure is often built for the sake of building infrastructure. Such infrastructure is not directly linked to a statewide priority such as drought management, expanding international trade or post-secondary distance learning.

Recommendation: All infrastructure investments should be directly linked to a statewide priority. Water, housing, economic development, education and transportation are examples of statewide priorities.
The Governor’s Finance Council makes a strong recommendation that you, as Governor, act quickly to reform the State’s capital outlay system. Indeed, while several members of the Finance Council would recommend you outright scrap the entire system, the recommendation of the whole Council asks you to overhaul the system rather than replace it.

The current system is uncoordinated; demonstrates weak planning and lack of identification of priorities; and is highly political. The current system should be reformed to provide for annual investments in public infrastructure projects that promote economic growth and improve our quality of life.

The reform plan the Finance Council recommends will:

- DEVELOP A COORDINATED, STRATEGIC, LONG RANGE APPROACH TO INFRASTRUCTURE AND LINK PROJECTS TO STATEWIDE PRIORITIES SUCH AS WATER, EDUCATION AND ROADS;
- MANAGE WELL ALL FUNDED PROJECTS;
- PROVIDE ADEQUATE FUNDING TO ENSURE TIMELY PROJECT COMPLETION.

THE 50-50 FORMULA

The Finance Council highly recommends that the Governor persuade the Legislature to abandon the old politically driven “a third, a third, a third formula” (senate, house and Governor) and adopt a new policy driven “50-50 Formula.”

Under the new capital outlay formula, one-half of all monies would go to public schools, higher education and water projects. Those are the State’s top priorities and they should always be “first in line.”

The “other half” would go to a wide array of significant local community development projects and for state-owned facilities.
MODERN PROJECT STANDARDS

The following standards will be applied to all capital outlay projects starting in 2004:

- A $100,000 dollar minimum level for projects funded with bonds.
- Non-recurring general fund revenue sources will be earmarked for smaller projects.
- All projects must go through an oversight agency review process.
- All projects must be identified as priorities and approved by the entity that will own, operate and maintain the project.
- The life of the capital project must be at least equal to the life of the bonds.
- Project funds must be sufficient to complete at least one full project phase.
- All projects must start within six months of the bond issuance.
- All projects must be completed four years from the date of the bond issuance. After four years, all unexpended balance will revert to the Severance Tax Bonding Fund.
- Current projects with bonds issued over four years ago will be given a six month “grace period” for project completion. Unexpended balances will then revert to the Severance Tax Bonding Fund.
- Reauthorizations will be for only one time extensions on the original project.
- One percent of severance tax bonding capacity will go for executive planning and project oversight.

REFORM AT THE 2004 SESSION

The Finance Council recommends reform start now, at the upcoming 2004 legislative session. The Council’s capital outlay reform plan will provide the legislature with a well planned, well funded and well managed system to address high priority infrastructure needs of New Mexico while continuing to fund significant local community projects. This reform plan stands in stark contrast to today’s system of “lists and politics”. Pork politics is clearly at an end; let 2004 be that end.
NEW MEXICO’S WATER

THE ISSUES

Water is life in New Mexico and is integral to our history, culture, and future. Conversely, there is a limited supply of water, and that limited supply is being threatened. The survival of both urban and rural New Mexico depends on a stable and predictable supply of water. In areas of the state with relatively plentiful water, survival means economic survival: agricultural, industrial and municipal water needs must be met if the State is to continue to grow and prosper economically. In areas of the state where water is less available, survival means assuring the existence of life itself. In the areas of the state which depend on underground aquifers that are literally being pumped dry, new water sources must be found if these areas are to support a way of life that has existed for hundreds, if not thousands, of years.

Municipalities along the Rio Grande, Pecos, San Juan, Gila and other rivers may not be able to sustain growth of population shifts due to a lack of water in other areas. The quality of the rivers themselves is being greatly threatened. A prosperous and healthy rural New Mexico is a key to the state’s future.

Water Quality

The public’s demand for safe, reliable drinking water spurred many of the earliest public health programs in New Mexico and prompted the State to invest in water infrastructure. The federal government passed regulations to protect more drinking water supplies from water-borne diseases. Since the 1970s the number of contaminants the federal government requires to be tested has increased by 196%. The New Mexico Environment Department Drinking Water Bureau has the responsibility to test for compliance.
State drinking water programs are the vital link among the many partners involved in protecting drinking water from resources and extensive experience and expertise in overseeing the planning and specifications needed to help systems maintain or return to compliance with public health standards. the source to the tap. At a more fundamental level, the State provides technical assistance to local water resources and extensive experience and expertise in overseeing the planning and specifications needed to help systems maintain or return to compliance with public health standards.

**Water Quantity - Drought**

Nearly 75% of New Mexico has been experiencing drought conditions since 1996. Those drought conditions were intensified during the extremely dry winter of 2001-2002 and spring of 2003, with nearly 60% of New Mexico experiencing severe to extreme drought conditions. Spring stream flows, in 2002, were as low as 2% of normal at the Embudo gage of the Rio Grande River. Reservoir levels in man-made lakes, already somewhat low in some areas following successive years of below average runoff, continued to drop. By May 2002, the Natural Resources Conservation Service (NRCS) reported the New Mexico reservoir storage was at an all time low. By the end of June, Santa Rosa and Fort Sumner Reservoir were at less than 2% of capacity; Conchas Reservoir held 10% of average storage; and reservoirs along the Rio Grande held less than 50% of average storage.

An average snow pack this winter will not be sufficient to refill the reservoirs. The snow pack runoff for the Canadian, Rio Grande, and San Juan river basins were only 60% of normal. Statewide reservoir levels are at their lowest level since 1978. New Mexico will not recover from this drought for many years. Governor Bill Richardson recognized the severe nature of the extended drought conditions in New Mexico and, through an executive order, declared a state of emergency due to the drought conditions statewide and established the New Mexico State Drought Task Force.

**Water Supply**

Approximately 90% of the population of New Mexico depends on ground water for its drinking water. The water quality for the 81% of the population utilizing ground water sources from public water supplies is monitored routinely. Nearly one-half of the total water used for all purposes in New Mexico is ground water. In many locations, ground water is the only available supply (King, et.al., 2002).
New Mexico relies too heavily on underground aquifers that are not being sufficiently recharged. A substantial portion of this underground water is also being depleted by neighboring states with no limits on ground water pumping. Additional water supplies are necessary to supply the economic and population needs of the state. Industry will be wary of locating in a state without a long term dependable water supply. Existing businesses may find it difficult to expand due to limited water availability.

Agriculture, a major contributor to the economic base of the state outside Bernalillo County, depends on water supplies already facing limitations. Adequate water is necessary for the environment, to support the open space and wildlife habitat and recreational uses that attract tourists and are important to the quality of life of the State's residents.

Many aquifers are hydrologically connected to a surface water supply. In such cases, the mining of groundwater will reduce the flow of New Mexico’s already fully appropriated rivers. A basic hydrologic principle for most interrelated ground and surface water supplies indicates every gallon of groundwater pumped from a well will ultimately result in one less gallon of water flowing down the hydrologically-connected river.

With few exceptions, areas of the State relying on aquifers not connected to a river will eventually exhaust their groundwater. This condition occurs in an arid environment like New Mexico because the rate of replenishment of the aquifer is unequal to the rate of pumping from that aquifer. For those aquifers where there is little or no recharge, the future is not bright.

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**Monthly Streamflow in New Mexico 1869-2002**

*Rio Grande at Embudo*

*Data from USGS Water Data*
Even as New Mexico works to meet its growing intrastate demand for water, it is confronted with unprecedented external demands for water to meet new federal mandates and to alleviate the pressure on other states in need of additional water resources. Arguably, these demands are direct assaults on New Mexico’s ability to control its water. The flows of the Rio Grande and the Pecos River, New Mexico’s two major rivers, are barely adequate to meet both New Mexico’s existing needs and its interstate stream compact delivery obligations.

Although most of the State is desert with variable precipitation and cyclic droughts, there are water supplies that can be utilized for current and future needs. However, making this supply available will require development of large-scale water conveyance infrastructure as well as sophisticated treatment technologies. For example, the Navajo-Gallup Pipeline and the Ute Pipeline, both in the development stages, can supply water to large areas of the state but will require large investments and up to ten years to complete. The saline water in the Tularosa Basin is a large reservoir with the potential to supply many users, but only after a substantial investment in treatment and conveyance facilities. New and improved storage facilities are needed to collect water during wet periods for use in dry times. Such facilities require substantial funding.

**Water Project Costs**

The creation of a network of water conveyance systems throughout various regions of the State will require large allocations of resources. The major conveyance systems required to meet New Mexico’s water needs in this century are estimated at $2.5 billion. In addition, the cost of new or improved wastewater systems to mitigate both surface and deep aquifer contamination is estimated to be as high as $5 billion.

The State has recognized that regionalization and collaboration between smaller water systems offers an opportunity to improve infrastructure to implement conservation and best management practices. The improvements to these systems, with several being half a century old, will require substantial investments. Regional water projects would better utilize available water resources in each region of the State. The following are six projects identified by the State Engineer for increased utilization of surface and ground water:

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>COST</th>
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<tbody>
<tr>
<td>San Juan / Chama Diversion</td>
<td></td>
</tr>
<tr>
<td>• Española</td>
<td>17 million</td>
</tr>
<tr>
<td>• Taos</td>
<td>3.2 million</td>
</tr>
<tr>
<td>• Santa Fe</td>
<td>99 million</td>
</tr>
<tr>
<td>• Albuquerque</td>
<td>190 million</td>
</tr>
<tr>
<td>TOTAL</td>
<td>309.2 million</td>
</tr>
<tr>
<td>Navajo/Gallup Pipeline</td>
<td>440 million</td>
</tr>
<tr>
<td>Ute Pipeline</td>
<td>220 million</td>
</tr>
<tr>
<td>Tularosa Basin</td>
<td>34 million</td>
</tr>
<tr>
<td>Doña Ana MDWCA</td>
<td>12 million</td>
</tr>
<tr>
<td>Gila River/Central</td>
<td>100 million</td>
</tr>
<tr>
<td>Animas/La Plata</td>
<td>100 million</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1.21 billion</td>
</tr>
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</table>

The State Department of Finance and Administration with the cooperation of cities and counties completed an Infrastructure Capital Improvement Plan (ICIP) that identifies and financially plans water and wastewater projects. The costs of development of new supplies are in addition to the immediate needs for treating existing water supplies to meet existing health standards. New Mexico communities need approximately $2.17 billion over the next five years for community water and wastewater treatment. This $2.17 billion estimate does not include New Mexico tribal water and wastewater needs in the amount of approximately $219 million.
STATE OF NEW MEXICO REPORTED COMMUNITY WATER AND WASTEWATER NEEDS AT $2.17 BILLION FOR 2002 – 2007

These municipal and community water systems are in urgent need of replacing, improving and expanding their systems. Water and wastewater projects have an inflationary rate of 5-7%, much higher than the consumer price index of 2.1%. The purchasing power of these water systems is reduced as time passes. These communities and the State must act quickly to mitigate rising project costs.

INVESTMENT Funding Options

The capitalization of a Federal-State Water Funding Pool will be integral to the State’s ability to prosper in the next 20 years.

Federal Government Funding Contribution

Grant Anticipation Revenue Vehicles (GARVEEs) offer states a way to assemble up-front capital on the basis of future Federal funds. The term GARVEE refers to a debt financing instrument that permits its issuer to pledge future Federal highway funds to repay investors. In 1998, through the New Mexico Finance Authority (NMFA), New Mexico was the first state in the nation to issue GARVEE Bonds for highway projects.

Today, GARVEE bonds are utilized by many states in funding capital projects. The New Mexico congressional delegation, through pledging $10 million per member per year for ten years could provide the State with a reliable source of federal funds. That appropriation commitment along with GARVEE-type authorizing language would enable the bonding of that funding source for use on capital projects today.

State of New Mexico Funding Contribution

Several years ago the State identified the need for a permanent funding source for water projects. In 2000, the State Legislature created the Water Trust Board and Water Project Fund to identify priorities and fund water projects. Historically, the State Legislature supports water projects through approximately $16 million, per year in Special Appropriation Project grants for programs such as the Water and Wastewater Grant Fund. Many of these legislative appropriations are directed to numerous small systems and are much less than actual project costs. As a result of this underfunding, the majority of these small systems have not had the ability to completely fund water system projects without additional assistance.
Community water systems can rely on system revenues for debt service. Moreover, community water systems have historically under-funded system maintenance and capital improvement funds.

Governor Richardson and the State Legislature took an important first step in providing a reliable funding source for water projects, in the 2003 Legislative Session, by dedicating ten percent of the Severance Tax bond proceeds to the Water Project Fund. By statute, the Water Trust Board must give priority to projects that have urgent need, are supported by an accepted regional water plan and have federal or local matching funds. The Water Project Fund will receive an estimated ten million dollars annually as a result of dedication of Severance Tax bond proceeds. In addition Governor Richardson plans to ask the Legislature to set aside ten percent of the State General Obligation bonds for water projects. Through the utilization of General Obligation bond proceeds the Water Project Fund could realize every biennial an additional $16 million in funding.

By using these dedicated sources of funding and redirecting the appropriations historically used for water projects to a coordinated regional effort, the State could contribute $320 million over a ten year period. Furthermore, an additional $100 million could be raised by issuing bonds backed by Governmental Gross Receipts Taxes (GGRT).

Recent estimates from the Blue Ribbon Tax Reform Commission indicate actualization of the total available taxing base on the GGRT could net an additional $15 million per year. If the NMFA would use the 75% of the increase in GGRT to issue bonds, $60 million could be raised immediately with $40 million contributed in cash over the next 10 years.
An additional source of funding could be gained by imposing a new water user fee schedule on all water used statewide. This approach has been discussed as a means of implementing conservation, but could also serve as a means of expanding the bonding base. A fee ranging from $2.00 to $25.00 per acre foot will generate approximately $23.6 million per year, as depicted below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Acre feet per year (AFY)</th>
<th>User Fee per AFY</th>
<th>User Fee per 1000 gallons</th>
<th>Revenue Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>25,169</td>
<td>$25.00</td>
<td>$0.077</td>
<td>629,225</td>
</tr>
<tr>
<td>Domestic</td>
<td>35,150</td>
<td>$25.00</td>
<td>$0.077</td>
<td>878,750</td>
</tr>
<tr>
<td>Industrial</td>
<td>11,709</td>
<td>$25.00</td>
<td>$0.077</td>
<td>292,725</td>
</tr>
<tr>
<td>Irrigated Agriculture</td>
<td>3,223,954</td>
<td>$2.00</td>
<td>$0.006</td>
<td>6,447,908</td>
</tr>
<tr>
<td>Livestock</td>
<td>43,652</td>
<td>$2.00</td>
<td>$0.006</td>
<td>87,304</td>
</tr>
<tr>
<td>Mining</td>
<td>67,868</td>
<td>$25.00</td>
<td>$0.077</td>
<td>1,696,700</td>
</tr>
<tr>
<td>Power</td>
<td>63,157</td>
<td>$25.00</td>
<td>$0.077</td>
<td>1,578,925</td>
</tr>
<tr>
<td>Public water supply</td>
<td>331,793</td>
<td>$25.00</td>
<td>$0.077</td>
<td>8,294,825</td>
</tr>
<tr>
<td>Reservoir evaporation</td>
<td>431,437</td>
<td>$3.00</td>
<td>$0.009</td>
<td>1,294,311</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>4,233,889</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undeveloped Mendenhall</td>
<td>800,000</td>
<td>3.00</td>
<td></td>
<td>2,400,000</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$23,600,673.00</strong></td>
</tr>
</tbody>
</table>

This new source of revenue could be bonded providing an additional $125 million to the Federal-State Water Funding Pool with $61 million in cash added over a ten year period. The State estimates, with all possible funding mechanisms in place, it is able to contribute $606 million over the next ten years to the Water Funding Pool.

Private Funding Sources

The State of New Mexico facilitates various sources for private sector funding of water & wastewater infrastructure. These funding sources can be used alone or in conjunction with public sector projects. By utilizing funding from the private sector, New Mexico can better realize its funding potential.

Drinking Water State Revolving Loan Fund (DWRLF) Loans

To be considered for funding projects, a request must be ranked on the NMED Comprehensive Priority List and be evaluated through the NMED Capacity Assessment process. The principal elements of the priority list ranking system are protection of public health compliance, environmental criteria, affordability criteria; and capacity development criteria. Interest rates for this program are 3% and 4% for non-profit and for-profit water systems, respectively.
Community Development Block Grant (CDBG) Loans

Funds are allocated to the economic development set-aside program on an annual basis. These are federal funds from the U.S. Department of Housing and Urban Development. Albuquerque, Santa Fe, Las Cruces and Rio Rancho administer their own programs. The New Mexico Department of Finance and Administration administers the program for the balance of the state. A grant is made to a local unit of government, which then lends the funds to the private sector.

The loan can be used for acquisition of real property and equipment, working capital and construction, but may not be used to finance the movement of equipment or plants from one location to another. The program requires a 2:1 match between non-CDBG and non-public cash funds to the CDBG amount. The loans are flexible with respect to payback; terms are negotiated between the local unit of government and the private company involved. Loan maximum is $400,000 (tied to the number of jobs created usually $15,000/job). There is also a requirement to hire a certain number of low to moderate-income people. The size of the requirement varies depending on the loan amount.

Community Development Block Grants (CDBG)

Grants may be made only to local governments for public purposes. The local government, on completion of the project must own any project so funded. This policy does not preclude local governments from applying for CDBG funds to accomplish such goals as the extension of utilities or streets, or to assist a new or expanding employer. Grant maximum is $400,000 (tied to jobs created and impact on low to moderate-income people).

New Mexico Business Participation Loans

The State Investment Council may invest a portion of the Severance Tax Permanent Fund in real property-related business loans. Participation may be up to 80% in an individual loan. Origination of the loan must be through a New Mexico financial institution. There is a loan minimum of $500,000, and a maximum of $2 million. Loan maturities may not be less than five nor more than 15 years. The interest rate is based on U.S Treasury securities plus 2.5% or the yield received by the lending institution. Loan proceeds must be used by the borrower to expand or locate a business operation in New Mexico.

New Mexico Severance Tax Loan Program

The State of New Mexico can purchase up to $20 million of bonds, notes, debentures or other evidence of indebtedness, excluding commercial paper, whose proceeds are used for the establishment or expansion of business ventures in New Mexico. The rate of interest to be paid on these evidences of indebtedness is equivalent to the yield on U.S. Treasury issues of comparable maturity plus 50 to 100 basis points. The State Investment Council may establish terms for debt retirement, affecting both principal and interest, to meet the needs of the borrower. These bonds, etc., must be rated not less than Baa or BBB, or the equivalent, by a national rating service, or be secured with an irrevocable letter or credit issued by an institution or corporation rated A or better. The loan may not exceed 20 years.

Community Development Revolving Loan Fund

The revolving loan fund enables political subdivisions to construct or implement projects to encourage the location of industry. Eligible uses of funds include infrastructure improvements, acquisition of property, construction, reconstruction, rehabilitation or installation of public facilities, site improvements and utilities. Commercial or industrial buildings or structures, and other commercial or industrial real property improvements for startup or expanding businesses are also eligible. The interest rate for these loans is set at ½ the U.S. Treasury bond equivalent. The loan maximum is $250,000. The payment terms maximum is 10 years.

Industrial Revenue Bonds

Industrial revenue bonds (IRBs) may be issued in one of two ways: 1.) a municipality or county may issue an IRB to finance privately-operated development projects and 2.) through the Statewide Economic Development Finance Act the Economic Development Department can recommend projects to the New Mexico Finance Authority for issuance of taxable and tax-exempt IRBs.

Statewide Economic Development Finance Act

The Economic Development Department and the New Mexico Finance Authority (NMFA) will soon be able to offer a variety of taxable and tax-exempt economic development financing alternatives to encourage and achieve job growth, economic expansion and diversification across the state. Three financing tools will be put to work for companies identified by the Economic Development Department:
1. NMFA participation in New Mexico banks’ loans for small business start-up or expansion.

2. NMFA issuance of tax-exempt Industrial Development Bonds for manufacturing facilities.

3. NMFA issuance of Industrial Revenue Bonds that grant tax incentives to expanding businesses.

PRIORITIES, OPTIONS AND ACTIONS

Given the continuing drought conditions, the level of underfunded future projects and the complex funding requirements, the following are recommended:

- This report be forwarded to the State’s Congressional delegation

- This report be forwarded to the leadership of the State Legislature

- Every water system in the State develop a comprehensive water management plan that includes conservation; appropriate rates for infrastructure repair and replacement; and regional collaboration for developing sustainable systems.

- The State and water systems throughout New Mexico work towards regional collaboration of water systems wherever applicable.

- State funding water and wastewater projects be channeled through the Water Trust Board and the New Mexico Finance Authority to encourage regional collaboration and require appropriate local fiscal contributions.

- Consider projects where private investment would be desirable and work with consultants to structure arrangements that will bring private capital for water and wastewater projects.
VISION STATEMENT

The principal goal of education in the schools should be creating men and women who are capable of doing new things, not simply repeating what other generations have done; men and women who are creative, inventive and discoverers, who can be critical and verify, and not accept, everything they are offered.


From childhood through adulthood, all citizens of the State of New Mexico have a right to educational opportunities. As leaders of this state we have a responsibility to ensure not only the meeting of educational program needs, but addressing the basic safety of students and staff as well. This responsibility can be accomplished by providing world class public schools and state-of-the-art colleges, universities and distance learning opportunities for all New Mexicans.

As evidenced by the recent special election, the citizens of New Mexico have expressed their desire to change education in the state. This affirmation offers New Mexico the opportunity to make monumental changes in the way the infrastructure needs of our schools are addressed. We must be both creative and innovative in our approach.

TODAY’S STRATEGIC ISSUES

The State has had to change the way it provides capital funding to school districts. The change was in part a result of the Zuni lawsuit filed in January 1998, which challenged the constitutionality of the state’s process for funding public school capital outlay. Judge Rich of the Eleventh Judicial District Court discovered that the state was in violation of the uniformity clause of the New Mexico Constitution (Article 12, Section 1) in the way that it funded capital outlay for schools. The state was given the task of identifying a uniform system of funding future capital improvements and a deadline of July 28, 2000 to do so.

Public school capital outlay in New Mexico has primarily been the responsibility of local school districts. The state constitution provides that school districts may borrow money for the purchase or construction of school buildings or grounds through the issuance of general obligation bonds (GOBs). The constitution limits the indebtedness to not more than six percent of the school district’s assessed valuation, thereby linking local property wealth to a district’s ability to construct facilities.

The following facts related to education are pertinent:

- Total enrollment for kindergarten through 12th grade is 314,000;
- Rio Rancho’s school district growth is at 6%; statewide the growth projection is 1%;
- 61% of the general fund or $2.5 billion is spent on kindergarten through college.

<table>
<thead>
<tr>
<th>Public Schools</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>447</td>
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<tr>
<td>Middle</td>
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<tr>
<td>Junior High</td>
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<td>Alternative Schools</td>
<td>33</td>
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<tr>
<td>Special Education Schools</td>
<td>10</td>
</tr>
<tr>
<td>Charter Schools</td>
<td>30</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>782</strong></td>
</tr>
</tbody>
</table>

- One of the oldest school buildings was built in 1910;
- There are approximately 2,226 school buildings and additions in the state. This number does not include charter school facilities, portables or alternative education facilities;
- 1965 and 1995 had the largest growth related to school construction.
RECENT PROGRESS

The Public School Capital Outlay Act and the Public School Capital Improvement Act were enacted to guide the state in making improvements to address the tremendous backlog of infrastructure needs in our public schools. The Public School Capital Outlay Council (PSCOC)\[1\] and various public school capital outlay task forces, such as the Public School Capital Outlay Task Force (PSCOTF)\[2\], are directed to analyze and provide findings and to make recommendations to the Governor and the Legislature each year.

Public School Capital Outlay Council

- The PSCOC reviews and identifies the priority applications for assistance from the Public School Capital Outlay Fund and makes awards to school districts for capital outlay needs.
- There are eligibility requirements districts must meet to qualify for funding from the PSCOC.
  - The PSCOC received $84.7 million dollars in requests for the 2003 funding cycle.
  - Total awards for 2003-04 are $83.8 million.
  - PSCOC also recommended participation by the Public School Facilities Authority (PSFA) in the amount of $10.8 million dollars.
  - $15.0 million of the $83.8 was set-aside as required by SB 513 for certain school districts including Cuba, Gadsden, Hatch and Magdalena. (Peñasco met the criteria but did not apply.)
  - Impact Aid Schools are schools that have a large proportion of federal or state land with little taxable value. $40.3 million for Impact Aid Schools was approved, although it was not required by statute. In previous years, legislation required $20.0 million be set aside for Impact Aid Schools.

- The PSCOC gave consideration to the following in making recommendations for funding:
  - addressing overcrowding in certain school districts and construction of new classrooms to replace portables;
  - provision of new classrooms for full-day kindergarten;
  - consideration of instructional programs;
  - completion of projects with previous grant awards (23 of the 52 awards will complete projects).

Public School Capital Outlay Task Force

In 2003, the total amount of direct legislative appropriations to schools was $12.7 million. In a report to the Governor and the Legislature, the PSCOTF highlighted the effect of direct legislative appropriations to individual schools for capital outlay purposes and the inequities created by these special appropriations.

Chapter 147, Laws of 2003 amended the Public School Capital Improvements Act to address the direct appropriations. The amendment legislation requires the counting of legislative appropriations. The reduction will be based on a formula that considers the property tax wealth of a district and the amount of the property tax mill levy imposed by the district.

\[1\] Members of the PSCOC are on page 16
\[2\] Members of the PSCOTF are on page 17
Public Schools Facilities Authority (PSFA)

The Public Schools Facilities Authority (PSFA) was created to address deficiencies in public schools, including charter schools and kindergarten facilities. All schools qualify for deficiency correction funds. The PSFA is responsible for oversight of the planning, construction and maintenance of school facilities.

- $240.0 million was appropriated to address deficiencies.
- The PSFA has an operational budget of $3.2 million from supplemental severance tax bonds.
- The PSFA may assess up to 3% for administrative costs, of which 1.5% is currently assessed.
- As of September 16, 2003, the PSCOC approved $164.0 million in projects from the deficiencies correction program administered by the PSFA.
- 426 projects have been approved statewide.
- 8 emergency projects have been approved.

Senate Bill 9 State Guarantee

Chapter 147 increased the state guarantee from $35 per mill to $50 per mill and provides a dedicated revenue stream (supplemental severance tax bonds) for funding this program. SB 9 funds are used for maintenance of school facilities. The assessed value is based on the local mill levy divided by 40th day membership.

- Zuni assessed value for 2002 was $1,671.
- Albuquerque assessed value for 2002 was $110,124.
- The state match amounted to $12 million before the increase.
- 59 of the 85 school districts received distributions.
- SB 9 levy will be in effect for six years (changed from four years).
- School districts are now required to prepare and implement a preventative maintenance plan as a condition for funding.
- The PSFA will provide assistance to school districts in developing preventative maintenance plans.

3D/International

The State hired 3D/International (3DI) to conduct a level 1 statewide needs assessment, which has been completed. The assessment is done on life-cycle basis which includes needs but also takes into consideration replacement or repair of current facilities for the next ten years.

- The initial assessment identified approximately $2.3 billion in overall needs.

3DI developed a database to allow the state to maintain its inventory of facilities. An indexing system to rank all facilities was identified. This ranking system uses a facilities condition index (FCI) to measure needs. The FCI for a building is equal to the estimated cost of current deficiencies divided by the estimated replacement value of the building. New Mexico also uses a weighted scoring which takes into consideration a number of other factors based on a life-cycle analysis. The other factors currently being used are:

- Life/health/safety – highest priority
- Mission critical—imminent failure
- Mitigate additional damage
- Beyond BOMA life—still working
- Grandfathered—not critical
- Additions to meet standards
- Fixed equipment to meet standards
- Non-fixed equipment—not funded by the State.

The Building Owners and Managers Association (BOMA), the Council on Education Facilities, the American University Planners Association, and a number of other national facilities groups have adopted this standard.
The FCI for New Mexico is 44. This figure indicates schools are in “very poor” condition. The target for FCI should be between 30 to 40 percent. $1.25 million has been appropriated to expand the assessment of public school facilities. This phase should be completed by January 2004.

- The FCI does not take into account school districts with growth issues, such as Rio Rancho.

The next step will be to apply a standard per-square-foot cost in order to develop baseline costs for new construction or renovations. Adjustments would be made to the baseline costs based on locality. Once the amount of the project is determined an analysis will be done to determine the state’s share and the district’s share.

Please refer to the chart for a 20 year funding analysis developed by 3DI.

**Charter Schools**

A Charter School subcommittee was developed to make recommendations on ways to apply adequacy standards to charter schools. New Mexico law requires that the standards apply to charter schools to the same extent they apply to public schools. School districts must include the capital needs of any charter school located in the school district.

Many of the state’s charter schools are located in sub-standard, privately leased facilities.

- Of the 30 approved charter schools in New Mexico, 20 were in privately owned facilities.

New Mexico’s constitution contains an anti-donation clause which prohibits improvements to private facilities. Charter schools will probably rank high on FCI. The long term goal is to have all schools, including charter schools, in publicly owned facilities meeting the adequacy standards.

**Education Technology**

According to the State Department of Public Education, schools receive technology funding from four sources:

1. The state educational technology fund, a general fund that provides a per student allocation to districts;
2. The federal E*Rate program that provides discounts for the purchase of network, telephone and internet services;
3. District educational technology bonds that fund the lease purchase of equipment; and,
4. Legislative capital appropriations.

Education technology will also use the same evaluation as that used for direct appropriations; a review of the property tax of the district and the amount of property tax mill levy imposed by the district.

**Senate Bill 847 (Chapter 46, Laws 2003)**

Senate Bill 847 requires the State Treasurer to make the required principal and interest payment for general obligation bonds and withhold the district’s state equalization guarantee distribution until the amount has been recouped. The intent is to assist districts in getting better bond ratings, thereby reducing the cost of their debt.
$240.0 million in severance tax bonds, supplemental severance tax bonds and general fund have been appropriated over the last three years to address deficiencies. $164.0 of this has been awarded. In addition the Council has awarded $293.0 through the critical capital outlay process during the same time period. Based on the 2002 assessment, the attached chart shows the capital funding requirements for the next 10 years.
GOALS & STRATEGIES

New Mexico must move to have all schools, including charter schools, in publicly owned facilities that meet the adequacy standards.

Capital outlay funding must be linked to the development of a K-16 system, a competitive workforce and the state’s policy priorities, as related to water, housing and transportation priority issues.

The 3DI level 2 assessment, implementation of the FCI, and the development and implementation of local maintenance plans will allow the state and local school districts to identify and rank projects in priority order, now and in the future.

The State must develop a partnership with local school districts and provide them with technical assistance and construction oversight available through the Public School Facilities Authority.

Local and private partnerships must be encouraged. A relationship between higher education institutions and public schools should be a priority. Many of our public school facilities sit idle for a portion of the school year, as do many of the community colleges. We must develop a collaboration to better utilize all of our educational facilities throughout New Mexico.

PRIORITIES AND RECOMMENDED STRATEGIES

• The Executive recommends funding the “top half” of the backlog over the next ten years using a 50/50 match of state contributions to local contributions. Funding sources recommended would be general obligation bonds, supplemental severance tax bonds and severance tax bonds.

• The State must demand a coordinated K – 16 system to capture efficiency and performance.

• The State must require greater use of classrooms and year round instruction with funding based on capacity and utilization.

• The Executive recommends legislation to address the membership of the Public School Capital Outlay Council with the passage of Constitutional Amendment 1 which makes the State Department of Education an Executive Agency.

PUBLIC SCHOOLS CAPITAL OUTLAY COUNCIL MEMBERS

• Secretary of the Department of Finance and Administration
• State Superintendent of Public Instruction
• Governor
• President of the New Mexico School Boards Association
• Director of the Construction Industries Division of the Regulation and Licensing Department
• President of the State Board of Education
• Director of the Legislative Education Study Committee
• Director of the Legislative Finance Committee
• Director of the Legislative Council Service
PUBLIC SCHOOL CAPITAL OUTLAY TASK FORCE MEMBERS

- Dean of the University of the New Mexico School of Law
- Dean of the New Mexico State University College of Engineering
- Secretary of the Department of Finance and Administration
- State Investment Officer
- Superintendent of Public Instruction
- Chairman of the House Appropriations and Finance Committee
- Chairman of the Senate Finance Committee
- Chairman of the Senate Education Committee
- Chairman of the House Education Committee
- A minority party member of the House of Representatives, appointed by the New Mexico Legislative Council
- A minority party member of the Senate, appointed by the New Mexico Legislative Council
- Two public members who have expertise in education and finance, appointed by the Speaker of the House of Representatives
- Two public members who have expertise in education and finance, appointed by the President Pro Tempore of the Senate
- Three public members who have expertise in education and finance appointed by the Governor
- Three superintendents, or their designees, of school districts that receive grants from the federal government as assistance to areas affected by federal activity. These districts must also be authorized in accordance with Title 20 of the United States Code, and appointed by the New Mexico Legislative Council Service in consultation with the Governor.
CAPITAL RENEWAL: SAFEGUARDING NEW MEXICO’S INVESTMENT IN UNIVERSITY AND COLLEGE CAMPUSES

STRATEGIC HIGHER EDUCATION INFRASTRUCTURE ISSUES TODAY

New Mexico faces immediate pressure to preserve existing university and college campuses and enhance the capacity of its higher education system to address growing demands. In order to serve the current population of students our institutions must renovate and maintain their physical plants.

If New Mexico’s post-secondary institutions are going to serve a growing number of nontraditional students suddenly out of work, under-represented students still searching for equal representation, and a growing proportion of high school graduates faced with limited employment opportunities, every available square foot of instructional space must be ready to greet these students. If New Mexico’s research universities are going to continue to bring in large research grants to sustain and grow a State economy that has escaped collapse, as has happened in so many other states, these universities must meet the requisite needs of highly sophisticated laboratory space and state-of-the-art equipment.

THE STRATEGIC IMPORTANCE OF HIGHER EDUCATION INFRASTRUCTURE

In short, college and university physical plants support our:

- Ability to respond to shifting enrollments and emerging programs.
- Faculty’s ability to compete for research.
- Faculty recruitment and retention efforts.
- High-tech computing, teaching, and research laboratories.
- Flexibility to adapt quickly to a competitive market place and surmount hurdles, not conducive to responding as a competitive enterprise.
- Efficient use of space – space utilization and specialized uses.
- Enrollment and course management systems and our resulting ability to facilitate student progress through programs.
- $1.32 billion State investment in higher education fixed assets.

THE CONNECTION BETWEEN HIGHER EDUCATION AND ECONOMIC GROWTH

For decades, higher education has been championed in qualitative ways relating to quality of life and the ability of citizens to function in an increasingly complex society. More recently, because of competing pressures for public and private funds, such qualitative factors, though still important, no longer serve to justify the appropriation of resources required to maintain the facilities or personnel associated with academic excellence. Therefore, attention turns to the bottom line – what is the return on the investment? Intuition alone can not stand up to the force of concerns stemming from each taxpayer’s personal economic condition. Even well educated policymakers who have directly benefited professionally and economically from their academic credentials question the bottom line. Yet, the economic benefits are overwhelming and undeniable. Here are a few indications:
In 1994, a Legislative Finance Committee (LFC) economic impact study showed the tangible indirect economic impact of higher education netted $4.85 for every $1 appropriated. The estimated growth of business-related spin-off jobs resulting from related expenditures alone was $6,592. Direct expenditures from the institutions, faculties, students, and visitors topped $2.4 billion. Indirect expenditures based solely on initial institution spending multiplied by a conservative 2.25 multiplier reached $1.9 billion. The 1994 LFC study estimated direct and indirect economic benefits stemming from all of higher education was over $4.3 billion.

In 1998 the New Mexico Council of University Presidents (CUP) replicated the LFC’s 1994 study, but only for the State’s six public universities. The combined direct employment and spin-off employment for New Mexico universities alone was $23,514. These institutions generated over $3.6 billion in expenditures that fed New Mexico’s tax base.

Dealing with the Invisible: Details of the $827 Million Dollar Problem

For the most part, the New Mexico’s higher education campuses have a good appearance on the exterior, but, in fact, have serious to critical problems on the interior. Exhibit 1 highlights the building systems in need of repair. Over one-half the backlog is related to heating, ventilation and air conditioning (HVAC) systems and electrical equipment located inside walls or hidden within mechanical spaces.
The campus renewal problem is system wide as Exhibit 2 indicates. The percentages reflect each campus’ share of the total backlog cost, and are a function of the campus size and age of the facilities.

Exhibit 2 indicates 62 percent of the problem resides at the (older) research universities and with 72 percent across the six universities.

The capital renewal backlog is a national problem affecting both private and state institutions of higher education. Recent surveys have indicated the total problem nationwide is over $50 billion. Public institutions have been especially hard hit because over the past two decades they have been unable to convince their governing bodies and state legislatures of the magnitude of this problem.
The result has been years of chronic underfunding for capital renewal resulting in large backlogs nationwide. The 1960’s and 70’s were a huge growth period for all of higher education. Like many institutions across the nation, over 50% of New Mexico’s current space was built within a 15 year time frame from 1960 to 1975. This major expansion was initiated by the unprecedented enrollment growth due to the “Baby Boom” generation.

Now, some 25 to 40 years later, these buildings require simultaneous overhaul of their major subsystems. Heating, ventilation, electrical, and plumbing systems (if they have not already been replaced) are either worn out or about to wear out. The failure of these systems is not due to lack of maintenance. The systems simply need replacing or serious renovating. The industry standard for these systems is 25 years.

Since 2001, the problem of campus renewal has worsened by the declining economies in many states, with concurrent budget reductions for higher education at a time when enrollment is soaring due to the “Baby Boomlet” phenomenon. Nationwide, enrollment growth of around 20% is anticipated over the next 10 years, with the bulk of that growth in the next five years. This growth is adding new pressures for added capacity and state-of-the-art learning environments. What must give to address this issue -- quality? capacity? access? These are the central policy issues with which college administrators and regents are wrestling today.

THE PROBLEM WITH “BUSINESS AS USUAL” IN HIGHER EDUCATION INFRASTRUCTURE

The pattern of legislative action has relegated higher education to an every-other-year campaign for General Obligation Bonds. In addition, independent community colleges have limited taxing authority for capital outlay and/or operations through a local mill levy. The ability of New Mexico’s universities to borrow for the purpose of capital improvement is limited to revenue bonds, bonds used to construct or renovate a building for which there is or will be a dedicated revenue stream such as a dormitory. Severance Taxes and General Fund are rarely used for higher education capital outlay. Thus, the opportunity to address the backlog is, once again, the primary issue. The secondary issue is full funding of the building renewal and replacement formula.

The logistical issue of renewing and maintaining heavily used buildings has been factored into the proposal to infuse $83 million per year. Unfortunately, the public school approach of using portable buildings as a temporary means of freeing up space in need of repair, does not work well for higher education. Therefore, addressing the backlog will require 10 years to complete even if all the funding were currently available.

RECENT INFRASTRUCTURE PROGRESS

In the past three years, New Mexico’s higher education institutions have undertaken two key activities to serve as the underpinning for gaining statewide support for a major new bond initiative:

- Development of a comprehensive Capital Renewal and Deferred Maintenance (CRDM) study that provides credible information on the estimated size of the deferred maintenance backlog, as well as the annual capital renewal requirements for Instruction and General facilities over the next ten years.

- Completion of a space utilization database by campus.

Strategy One: $83 Million a Year for the Next Ten Years

In New Mexico, we are in the process of seeking legislative approval of a plan to address our backlog of capital replacement needs. The latest study identified $827 million of backlog and projected growth of that backlog for the next ten years for New Mexico’s instruction and general (academic) space. This figure includes $552 million in current backlog and a projected growth of $275 million. The study group recommended that the public higher education system spend an average of $83 million per year to meet Capital Renewal and Deferred Maintenance requirements over the next ten years. This figure contrasts with current state support levels of approximately $25 million per year for both current and deferred needs. This projection means there is an unmet need of $30 million per year to fund current CRDM needs, and does nothing to fund the projected CRDM growth of $27.5 million.
Strategy Two: Ongoing Support Via the Building Renewal and Replacement Formula

The long-term goal for higher education facilities is to be able to maintain the State’s capital investment through formula funding. In the early 1990’s the legislature added two components to formula funding; the building renewal and replacement and equipment renewal, and replacement components. Each formula was based on national criteria and each has been partially funded since their inclusion in the Instruction and General Formula.

The current annual level of formula building renewal and replacement funding is 37% or roughly $9.25 million. Full formula funding, given the current square footage of instructional space, would approach $25 million. This figure is based on three percent of the current value, the national standard. Once all backlogs of renewal are addressed, 100 percent Building Renewal and Replacement (BR&R) formula funding will address the full and ongoing capital renewal and deferred maintenance annual costs of higher education. The challenge is to eliminate the backlog.
VISION STATEMENT

We are committed to the principle of transportation supporting the economic vitality of New Mexico and our nation. Transportation investment is important for the economic growth of our state, improving movement of goods and services within New Mexico, and attracting visitors and industry. Our goal is to enhance a multimodal system that provides safety and mobility of people, goods and services.

Transportation is the backbone of our economy. Movement of people and goods safely and efficiently allows productivity and business growth. Investment in transportation is a smart investment.

New Mexico requires increased transportation infrastructure investment. We are committed to making transportation resources fully support the key role of New Mexico in our Nation’s economy. A strong Multimodal transportation system will enhance all areas of New Mexico’s economic vitality and improve the quality of life for New Mexicans.

TODAY’S STRATEGIC ISSUES

New Mexico has long been a state connected by highways and railroads. Today people want more choices that allow them mobility to work and home. They want multiple modes of commuter services as well as better highways for industry and personal travel.

New Mexico’s high traffic fatalities

- Our traffic fatality rates- people killed in vehicle accidents- are some of the highest in the nation. In 2002, 212 people were killed on our highways bringing New Mexico above the national average for traffic fatalities.

- Narrow two lane highways without shoulders are no longer acceptable to the public and the transportation industry. Safety elements such as a smooth driving surface, wide shoulders, guardrails, divided lanes, and passing lanes effectively reduce the causes of highway traffic fatalities.

Increasing congestion in urban areas and higher traffic volumes on rural highways

- While, nationally, New Mexico ranks low in overall highway congestion, congestion, nonetheless, changes our accustomed lifestyle. Longer commutes are apparent throughout our larger communities.

- Along our interstate highways and rural highways, traffic volumes are increasing, while some of these roads have not been modernized since they were built.

Increased use of our Interstates by commercial vehicles

- New Mexico is a bridge state connecting two of the largest economies in the nation, California and Texas. Interstates 10, 25 and 40 are vital to New Mexico’s economy while over three-quarters of the trucking traffic on these interstates is generated from out-of-state shippers.

The existing highway system contains over 4,000 Interstate lane miles, 27,263 state highway lane miles and 2,968 bridge structures.

31% of New Mexico’s highways and bridges are in poor condition. Because traditional funding has been well below the actual system needs, many sections of highway can no longer be maintained to extend their useful life.

Crumbling foundations and substructures must be addressed for citizen safety and transportation efficiency.
Aging Infrastructure

- Rural highways connect people and industry to regional economies and are essential to economic development. Many of these roads continue to deteriorate at alarming levels due to increased use and the age of the infrastructure.

- The DOT has aggressive preventative maintenance programs that can no longer patch and repair highways that have severe subsurface distress, environmental cracking, rutting, raveling and weathering.

Alternative transportation modes

- Our customers want increased options for commuter services and public transportation. Alternatives, such as park and ride and commuter rail are necessary to alleviate the growing traffic. In addition, improved air service within the state and improved passenger and freight railroads are needed for economic development and expansion opportunities.

Declines in Transportation Funding

- The motor fuel excise tax is the primary funding source for state highways and other transportation programs. Transportation revenue is collected at a fixed rate, while costs for highway maintenance and construction continue to rise and the need to provide public transportation alternatives become more prevalent. Revenue collections fail to keep pace with inflation and economic growth causing erosion of our resources.

TRANSPORTATION SYSTEM NEEDS IN NEW MEXICO

Over 7,162 lane miles of our highway system are “deficient”—this means they are very bad roads. Regular routine and preventative maintenance can no longer sustain these roads. Climatic factors and traffic volume significantly increase surface deterioration, which allows water into the sub grade that causes structural damage to the road. Reconstruction means the roadway must be rebuilt from the sub grade to the road surface. The cost of reconstruction is 4 to 5 times that of preventative maintenance.

Roads are characterized by their functional classification, such as Interstates, Arterials, and Collectors. The primary function of interstate and arterial roads is connectivity to regional and national transportation. The function of collectors and local roads is to collect traffic from the arterials and distribute it for access to homes and businesses.

The Department of Transportation monitors almost 200 variables on the state highway system, which allows us to track different types of deficiencies. In addition, data collection and analysis allow the department to project system deficiencies for both the short and long term needs of the State of New Mexico.

The New Mexico transportation system needs are in excess of $11 billion. Current transportation funding and revenue provide only 15% of identified citizen and industry needs. 85% of New Mexico’s transportation needs are unfunded and critical needs continue to grow. This pattern means longer delays, higher costs in auto repair, higher shipping costs and -worst of all- more death and accidents on our highway system.

Each 80,000-pound truck on the highway is equivalent to the weight damage of 38,000 passenger vehicles.

If passenger vehicles were lined bumper to bumper from the Arizona border to the Texas border on Interstate 40 in all four lanes they would equal the weight damage of ten trucks.

Over 75% of Interstate traffic is commercial vehicles passing through our state.
Since 1980, the population of New Mexico has increased 40% while the number of vehicle miles traveled on our highway system has almost doubled. Enhancements to deal with safety and congestion have increased the total number of lane miles, while funding remains unchanged. The average cost for construction is inflating at approximately 8.6% per year. The volume of use (vehicle miles traveled) has doubled in the past twenty years, from 11.6 billion miles in 1980 to over 22.8 billion vehicle miles in 2000.

**RECENT PROGRESS**

**Revenue Bonds to Support Transportation**

The Department undertook its first revenue bonding opportunity in 1993. Five years later, the State Legislature authorized $1.2 billion in bonds for transportation. The first major highway investment program began in 1998. This program concentrated bond proceeds for 17 projects to relieve metropolitan congestion and improve rural highways. The DOT delivered over 300 miles of rural 4-lane highways and reconstructed major intersections and arteries in the metropolitan areas of Albuquerque, Las Cruces and Santa Fe. Today, these results demonstrate barely a dent in the total transportation needs of New Mexico.

<table>
<thead>
<tr>
<th>Funded Source</th>
<th>Description</th>
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<tbody>
<tr>
<td>$1.2 Billion</td>
<td>Is currently funded in the Statewide Transportation Program over the next six years through traditional revenue sources.</td>
</tr>
<tr>
<td>$1.5 Billion</td>
<td>Will be funded through Governor Richardson’s Investment Program that relies on new revenue and revenue bonds.</td>
</tr>
<tr>
<td>$8.7 Billion</td>
<td>Remains unfunded.</td>
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</tbody>
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**New Mexico’s total transportation system needs are $11.4 Billion.**
GOALS AND STRATEGIES
Governor Richardson’s Investment Partnership

We call it GRIP- “get a GRIP on Transportation” for New Mexico. Governor Richardson’s Investment Partnership is a comprehensive statewide highway reconstruction program; it includes Multimodal transportation initiatives and it addresses critical highway infrastructure needs in every county in New Mexico.

- GRIP identifies the roadways with extreme structural and capacity deficiencies to develop as priorities. These are highways that can no longer be held together by patching and maintenance. Severe substructure damage jeopardizes the integrity of the road.

- GRIP identifies highways that serve as economic corridors connecting our system to the regional and national economy. These highways provide better opportunities for business development and growth.

- GRIP identifies opportunities for economic expansion through transportation by providing intermodal linkage to regional and national corridors and connectivity to rail, air and other transportation modes to support local economies.

- GRIP identifies railroad partnerships to enhance opportunities for freight and passenger rail that include commuter services.

- GRIP identifies Park and Ride facilities and operations that enable commuters options for travel as well as better coordination among public transportation opportunities.

- GRIP identifies air service programs to expand interstate, intrastate and international air travel to and from New Mexico.
The green indicates projects to be built over the next 6 years in the Statewide Transportation Improvement Plan. These projects are funded through traditional revenue sources such as gas taxes and user fees.

The blue indicates projects that will be funded in the GRIP program. These are projects that allow for economic development and expansion.

The red indicates projects that are in critical condition. These roads are rutted, potholed, cracked and dangerous. Critical means New Mexico must act now to preserve and enhance it aging transportation infrastructure.
The highway projects include:

**I-25 Tramway Boulevard to Bernalillo to Santa Fe**
Widening from a 4-lane to a 6-lane facility; adding Park and Ride and commuter rail is important to accommodate increasing traffic volumes.

**I-40/Coors in Albuquerque**
Reconstruction of Interchange and both of the I-40 and Coors Boulevard approaches to relieve congestion and promote business development.

**US 180 from Carlsbad to the Texas State Line**
Line construction of an enhanced 2-lane with the addition of 1 mile passing lane in each direction. This section of road has one of the highest accident and fatality rates in New Mexico.

**US 491 from Tohatchi to the Colorado State Line**
The project length is 88 miles and crosses McKinley and San Juan Counties. This section of road has one of the highest accident and fatality rates in New Mexico.

**US 54 from Tularosa to Santa Rosa**
Has become heavily congested with commercial traffic seeking access to Interstate and other regional highway connectors. This long stretch of highway is obsolete by today’s standards- it has 2-lanes with no shoulders.

**US 64/87 from Raton to Clayton**
83 miles need widening to a four-lane facility. This segment is identified as the Ports-To Plains corridor, which extends from the port of entry in Laredo, Texas to Denver Colorado. Enhanced safety and economic development opportunities are available with system connectivity.

**I-10 Lordsburg to Jct. NM 146**
This section of the interstate was constructed in the early 1970’s and is a major truck route providing an east to west coast transport of goods and services.

**I-10 Las Cruces to Texas State Line**
The widening of I-10 from a 4-lane to a 6-lane facility, east bound and west bound. This is a major corridor for east to west coast transport of goods and services.

**I-40 Newkirk to Tucumcari**
This section of interstate currently maintains 54% heavy truck traffic and is increasing annually. The current roadway structure is showing signs of failure in various locations.

**I-40 West of Gallup**
Reconstruction of I-40 both east bound and west bound lanes. The original roadway was constructed on a clay sub-grade and was not intended to maintain 54% heavy truck traffic (10,000 to 15,000 trucks daily).

**I-40 East of Thoreau**
The new roadway will provide a roadway structure to accommodate the increasing loads being placed by heavy truck traffic, while providing a safe roadway for freight, tourist, and local travelers.

**I-40 Carlisle to Juan Tabo in Albuquerque**
This stretch of I-40 runs from the Big I to the mouth of Tijeras Canyon and was originally built out of concrete in the 1960’s. The road is 20 years beyond its design life.

**I-40 Carnuel to Sedillo Interchange East of Albuquerque**
This stretch of I-40 was built in mid-1960. This section of I-40 has a number of features that do not meet current design standards. Due to the high truck volume the road way is experiencing rutting, fatigue failure and sub-grade failure.

**I-40 9 Mile Hill, West Mesa, Central to Coors**
Some isolated areas require full rehabilitation due to sub-grade failures while the major extent of this section of I-40 can be treated with milling off the badly oxidized and rutted surface and overlaying with a thick layer of new material.

**I-40 Laguna to Mesita**
The improvements would reconstruct the sub-grade of the failed areas to include soil stabilization and replacement. New base course and hot mix will also be placed.

**I-40 Canoncito to Rio Puerco**
Four-lane reconstruction, eastbound and westbound lanes, sub-grade repair, base course, new pavement, and drainage improvements.

**I-40 Moriarty East Interchange to West Interchange**
This section serves heavy commercial truck traffic as well as commuting traffic through Moriarty.

**NM 11 Columbus to Deming**
This corridor is a major link for imports from Mexico and is fast becoming a major truck route providing a direct link to I-10.

**NM 128 Jct. NM 31 East through Jal**
Realign and reconstruct the first ten and one-half miles in order to relocate the roadway away from salt lakes.
NM 234 Eunice East to Texas State Line
Improved roadway quality, enhanced safety, economic development and mobility of people and goods.

NM 26 Deming North to Nut located South of Hatch
This corridor is a major link between I-10 and I-25 and has seen a rapid increase in truck traffic as goods are being transported east to west and north to south.

NM 209 West of Grady
Reconstruct the deteriorating existing two lanes and add shoulders.

NM 45 South Coors Blvd/ Jct. I-25
North to approximately Central Ave in Albuquerque. This road serves as main access for commuters and locals to the west side from the Albuquerque city limits to the north.

NM 8 Eunice North to JCT US62 West of Hobbs
Enhanced 2-lane proposal resurfacing, restoration, and rehabilitation of the existing lanes with the addition of shoulders. This facility is a main corridor for oil field traffic and is vital to the local economy.

NM 83 Lovington East to Jct. NM132
Reconstruct and rehabilitate the deteriorating existing two lanes and adding shoulders.

US 62/180 Hobbs East to Texas State Line
Improvements include Reconstruction and overlay of existing facility

US 62/180 West of Hobbs
Proposed improvements include Reconstruction with some Asphalt Pavement Overlay.

US 285 Encino to Clines Corners
The northbound lanes show signs of base and sub grade failure with heavy pavement deterioration.

US 285 Clines Corners to Lamy
Reconstruction to 4-lane, bridge replacements, and drainage and geometric improvements.

US 380 West of Tatum East to Texas State Line
This section of roadway is severely distressed with severe cracking, base failures and oxidation of the existing pavement.

US 380 Capitan East
Rehabilitation of existing 2-lane facility, mill and inlay with 3 inches of new pavement.

US 380 Lincoln to Hondo
Rehabilitation of existing 2-lane facility, mill and inlay with 3 inches of new pavement.

US 380 West of Tatum
Reconstruction and asphalt pavement overlay.

US 56 Springer East to Abbot
Resurfacing, restoration, and rehabilitation of the existing lanes with widened shoulders and isolated areas of full reconstruction due to base failures. This section of US56 is a major travel route to and from Texas and Oklahoma to the recreational areas of northern New Mexico.

US 60 Approximately Mountainair to Willard
This section is in various states of deterioration and has become critical over the last 3 years.

US 64 Rio Arriba County Line East to the La Jara Bridge
The Project will consist of the reconstruction of this 20-mile section of roadway. The La Jara Bridge will also be replaced because the bridge joints are non-functioning with advanced section loss throughout. There is up to 20 feet of exposed rebar on several girders. Bearing Pads are non-functioning due to heavy deterioration.

US 64 West of Dulce
The existing facility shows signs of base and sub-grade failure with extensive pothole patching throughout. This section of US64 was constructed in the 1960’s. This facility serves as the primary route for tourism to Chama and Pagosa Springs from US550 and Dulce.

US 84 Pojoaque to Espanola
Four-lane controlled access facility required to accommodate continued traffic growth and connectivity to improvements currently under construction.

US 84 Romeroville South to JCT I-25
Enhanced 2-lane resurfacing, restoration, and rehabilitation of the existing lanes with the addition of shoulders and drainage improvements. This route is a major connection between I-40 at Santa Rosa and I-25 near Las Vegas and carries a high volume of commercial traffic.

US 84 Ft. Sumner to Santa Rosa
This improvement proposes full depth reconstruction of the facility. The ride quality has deteriorated in this section due to settlement of subgrade soils that have created a “roller coaster” ride.
Program (STIP) Projects

The Statewide Transportation Improvement Program (STIP) is New Mexico’s tool for maintaining and improving the state’s regional transportation system. The STIP is approximately a $1.2 billion dollar investment program over a six-year period. At current STIP funding levels, NMDOT is not able to address all maintenance and facility deficiencies statewide, which is estimated at $11.4 Billion.

The GRIP proposal will provide the necessary investment to realize the benefit of needed infrastructure improvements and critical expansion that could not otherwise be addressed by STIP.

GOVERNOR RICHARDSON’S INVESTMENT PARTNERSHIP AND MULTIMODAL TRANSPORTATION

We are committed to the principle of a multimodal transportation system by developing accessible, connected and sustainable multimodal opportunities to provide travel choices for all citizens. The Department is combining multimodal infrastructure development with current infrastructure preservation in a manner that best serves the mobility of residents, guests and commerce.

Passenger Rail Service

We are working with other government entities and the private sector in the development of intercity commuter rail with Burlington Northern Santa Fe Railway, Amtrak and Santa Fe Southern Railway. Various options exist to provide passenger rail between Albuquerque and Santa Fe and the Rail Bureau continues to explore corridors from the BNSF mainline, near and into Santa Fe.

Rail Bureau has met with Amtrak and BNSF on the issue of passenger rail from El Paso to Albuquerque and is in the process of developing information sought by Amtrak regarding local support for the operation. Numerous factors make this proposal attractive for intercity passenger rail, including interstate (NM-TX) and international (US-Mexico) service potential.

Governor Richardson has called for a commuter train between Belen and Bernalillo with stops in Albuquerque as a first leg toward building commuter rail between Belen and Santa Fe. The Mid-Region Council of Governments has been designated to receive $1 million in funding for planning.

Public Transportation

The Public Transportation Programs Bureau oversees 80 publicly funded transit programs in New Mexico that support general and specialized transportation programs in the State. There are four general types of transportation programs:

- Fixed-route for the public
- Demand-response for the public
- Specialized for the elderly and handicapped
- Transportation for welfare to work

Camino Real Intermodal Transit Center

This project will coordinate with the cities of Las Cruces and El Paso to create a commuter bus transit system and Park and Ride between two cities, to develop coordinated services that assist trade and business between Mexico/El Paso/Las Cruces.

Along with establishing this new transit route, we will partner with City of Las Cruces to develop an Intermodal transportation center to serve as a Park and Ride facility as well as development for future El Paso to Albuquerque passenger rail.
Air Service Initiatives

The Department has placed renewed emphasis on increasing air opportunities for New Mexico through intrastate air service with connections from Artesia, Gallup, Los Alamos, and Taos to Albuquerque. Connections for interstate air service include Santa Fe to Los Angeles, Dallas/Fort Worth and Denver, Gallup to Phoenix, Los Alamos to Denver, Clovis and Hobbs to Dallas/Fort Worth, and Angel Fire to Dallas/Fort Worth. Connections for international air service will include Albuquerque to Mexico City and Chihuahua.

Santa Teresa Intermodal Project

Governor Richardson has established a priority to increase our economic ties to Mexico. The fast-growing trade between the United States and Mexico strains existing transportation infrastructure between the two countries. Trucks currently deliver about 80 percent of the value of U.S.-Mexico trade. Rising trade volume has created road congestion with costly delays at border crossings and elsewhere at times. Time-sensitive perishable products, which make up a sizable share of both south- and northbound food and agricultural trade, are particularly vulnerable to damage from transportation delays.

A large problem with the existing transportation system is border congestion. Inadequate infrastructure and physical facilities exacerbate the congestion problem at our crossing points and at the Juarez border crossings. These bottlenecks at the border and inadequate infrastructure raise the cost of doing business with Mexico through delays and degradation of time-sensitive products.

In addition, rail transportation in Mexico is becoming more competitive compared to trucking. The development of Mexico’s rail system was spurred by privatization in the late 1990’s and by greater integration with the New Mexico rail systems may reduce transport time since pre-clearance of rail traffic avoids trains stopping at border checkpoints.

A new partnership has been developed with the Departments of Health, Human Services, Children, Youth and Families and the Agency on Aging to combine public transportation alternatives and resources to enhance rural transportation alternatives.
The Department is working with the State Legislature and the Governors Office to identify potential revenue opportunities for funding the initiative.

Two pieces of legislation will be introduced to address bonding authorization and project authorization, as well as the authorization of revenue to support the Governor Richardson’s Investment Partnership.

The Department of Transportation is working closely with the New Mexico Finance Authority and its financial advisors to develop strategies for a bonding program.

The bond capacity analysis has been predicated on existing revenue streams are available to pay debt service, and that additional revenue will be available. Based on these assumptions, the initial conclusion is there is sufficient debt capacity to fund the initiative. There will likely need to be some changes to the NMDOT’s traditional financing method to allow for longer-term debt.

Clearly, the Department’s amortization can be extended, and it would still remain below the average for similar DOT revenue bond issues. To undertake the lowest cost financing program, there will likely be some creative financing ideas suggested as part of the overall program, including the use of variable rate debt and derivative products, such as interest rate swaps.

**Current inflation cost of construction is averaging 8.6% while revenue bond rates are well below 6%.**

It is a smart investment to protect and develop our transportation system in this market environment. Postponement of repairing critical infrastructure needs will only delay the burden at a much higher cost to future New Mexicans.

**The Department has aggressively marketed the GRIP and is receiving overwhelming support from local and tribal governments across the state.**

The Municipal League and numerous city and county governments have passed resolutions of support for the Governor’s Investment Partnership. New Mexicans recognize they cannot afford to ignore the growing transportation needs of the state—transportation is critical for the strength, vitality, and opportunity for New Mexico.

**Public/Private Partnerships**

Studies consistently show economic development is enhanced when transportation infrastructure is available or included as part of a comprehensive economic development strategy. The concept of public-private partnerships for transportation improvement provides opportunities for additional financial input to improve our transportation system.

In 2002, the Department of Transportation reached an agreement with the city of Rio Rancho and the Intel Corporation where each contributed $5 million to advance improvements to NM 528, a project with economic development opportunity. This $20 million project was made possible by the 50 percent public-private support.

In 2003, the Department has negotiated an agreement with the Acoma Pueblo to build an I-40 interchange project. In this agreement, the Pueblo will contribute $7 million, or half of the cost of the $14 million project.

These two projects represent $17 million in non-state contributions to highway improvements that would otherwise have not been completed. When properly promoted and implemented, public-private partnerships can help New Mexico meet the growing traffic and roadway needs of the state.
INTRODUCTION

New Mexico owes its citizens and their descendants a better chance at the American dream. Average annual income of New Mexicans is forty-second among the states and the poverty rate in New Mexico is the highest in the nation. New Mexico ranks highest among the states in the number of working poor and ranks lowest among the states in the provision of health coverage for workers.

New Mexico needs to create new high-wage jobs if its citizens are to move up the economic ladder.

Only effective investments by the public and private sectors in New Mexico can create these jobs. The public sector has the primary responsibility to invest in New Mexico’s basic infrastructure—water, roads, schools, etc.—that forms the bedrock on which New Mexico’s future will be built.

The private sector business community builds on the infrastructure base by investing in plant and equipment and hiring workers. The private sector must invest in this hard and human capital if New Mexico is to create the economic and job opportunities necessary to guarantee future generations of New Mexicans the means to realize their dreams at home.

ISSUES

New Mexico possesses tremendous stores of intellectual capital, research and development resources. To take advantage of these assets, New Mexico must invest more in public infrastructure—especially roads and digital infrastructure. Also, the State must produce a larger force of well educated and trained workers. Most importantly, the state must increase the availability of investment capital to put New Mexico’s ideas to work creating jobs and economic activity.

The need to improve New Mexico’s capital investment capabilities are evident from a study entitled, Development Report Card for the States, completed in 2002 by the Corporation for Enterprise Development. This document provides a comprehensive ranking of the states on 71 measures aggregated into indices of economic performance, business vitality and economic development potential.

Most importantly for this report: New Mexico ranked 40th among all states and 7th among 8 western states (Arizona, California, Colorado, New Mexico, Nevada, Oklahoma, Texas and Utah) in economic development potential. This aggregate measure is composed of measures of the availability and quality of human resources, financial resources, infrastructure resources, amenity resources/natural capital and innovation assets.

It is significant that New Mexico’s low ranking for economic development potential is a combination of a very high ranking in terms of intellectual capital and a very low ranking in public infrastructure, a lack of quality human capital and a lack of private investment capital to put the intellectual capital to work in the state.

VISION

Invest New Mexico will create high-wage job opportunities by delivering financial incentives for the business community to locate new facilities or expand their existing plant and equipment investments in rural and urban New Mexico—businesses of all sizes, at all stages of development, existing and new recruits.
New Mexico Ranks Very High in Intellectual Capital, But Low in Investment Capital

The innovation assets are here, but the financial capital to turn the ideas into jobs and economic activity is absent. Among all states, on a population adjusted basis, New Mexico is:

- 2nd in Federal Research and Development Expenditures;
- 8th in University Research and Development Expenditures;
- 2nd in the number of PhD scientists and engineers;
- 2nd in Federal Research and Development Expenditures;
- 8th in University Research and Development Expenditures;
- 2nd in the number of PhD scientists and engineers;

but

- 47th in income from dividends, interest and rent (individual capital);
- 39th in private venture capital investments;
- 27th in terms of patents issued to the state’s residents;
- 40th in bank loans to small business;
- 42nd in federal Small Business Investment Corporation loans; and
- 48th among all states and last among southwestern states in the percent of state income coming from the export of goods and services.

Despite the ranking of 40th in development capacity, New Mexico ranked somewhat better nationwide in economic performance (33rd) and in business vitality (36th).

Among eight southwestern states, New Mexico ranked 4th in economic performance, 8th in business vitality.

Although New Mexico makes a generally poor showing, a look at individual measures within the three indices shows bright spots and areas where the most change is needed if the state’s economy is to improve.

New Mexico Economy Overall is Weak, But Improving

Although New Mexico ranked 33rd in economic performance, the state ranked above the median in long-and short-term employment growth and ranked 6th overall in experiencing the fewest layoffs during the last recession. This differential is due to the relatively high concentration in government, which tends to be countercyclical.

New Mexico’s average annual income is among the lowest in the nation (42nd) and the poverty rate in New Mexico is the highest (50th). However, recent wage growth is above the median (21st) and improvements in the income distribution have been second highest in the nation.

Despite the improvement in wages, New Mexico ranks lowest among the states in the provision of health coverage for workers, highest among the states in the number of working poor and near the bottom in terms of net in-migration crime rate (48th). New Mexico also has the third highest crime rate and the fifth highest teen pregnancy rate among the states.

New Business Investment in New Mexico is Brisk, Although the Base is Small and the Turnover High.

New Mexico is 17th in business startups and 28th in IPOs, but 9th in business closings.

New Mexico is 14th in jobs in high technology industries as a percentage of wage and salary employment. While the jobs are in high-tech industries, the indications are from other measures that the pay and benefits associated with these jobs are relatively low.

New Mexico is 26th in terms of investment in manufacturing machinery and equipment as a percentage of manufacturing value added in the state. The positive significance of this figure is dampened by the small size of the manufacturing sector in New Mexico.
ACTIONS AND PROGRESS

Past Legislatures have created individual incentives and funding programs for public and private capital expansion. These Legislatures have also made direct appropriations for capital improvements. There has been little attempt, however, to focus the New Mexico’s capital resources on making investments which can have the greatest economic development benefit.

INVESTMENT PRIORITIES

Build Infrastructure Basic to Business Capital Expansion

Goal: Work with NMFA to make $30 million in infrastructure loans to projects recommended by Invest New Mexico as being qualified economic development projects.

Through the New Mexico Finance Authority’s Public Project Revolving Fund, the state has approximately $600 million in capacity for loans to public entities. These funds are largely applied to infrastructure and equipment loans, or capital improvements.

Eligible economic development projects include: industrial parks, small business incubators, Main Street programs, and inter-modal transportation facilities, etc. These projects are submitted to the Legislature for approval each year as a package. If a project is considered an “emergency” in economic development terms (for example, if the sewer and water lines are not made available to the industrial park in the next three months, the business will move to another state), the NMFA can make loans from its Public Project Revolving Fund to remedy the issue, without specific legislative approval.

The New Mexico Finance Authority (NMFA) can make deeply subsidized loans to disadvantaged entities. The NMFA may pay up to $200,000 of closing costs per entity, per fiscal year. This policy is a benefit, as businesses with limited funds can more readily access the tax-exempt market through NMFA. Secondly, the cost of issuance assistance provides additional incentives to many credit-worthy entities to borrow through the NMFA for their capital (bricks and mortar, infrastructure and equipment) projects.

Each loan must be linked to a future revenue stream for repayment, including increased tax revenues, a specific part of the Gross Receipt Tax (GRT), and may be accompanied by a commitment from the private business to participate in the bond repayment. Whatever revenue stream is committed, the local government must provide a guarantee using its Gross Receipt Tax.

Twenty-plus communities have passed the Economic Development Finance Act, which gives local governments the ability to commit financial resources to creating new jobs. The New Mexico Economic Development Department also has a resolution which can be considered by tribal governments. Once the act or resolution has been passed by a community or tribe, they can decide whether they want to pass a 1/8th of 1% GRT to be used for economic development, or whether they want to commit up to 5% of their gross receipts tax revenue for economic development.

Either way, passage of this Act provides a significant revenue stream to back up the issuance of bonds, directly fund business expansion, or contribute resources such as land, buildings and/or equipment to a business.

Grow New Mexico’s Small Businesses

Goal: Deploy into the marketplace the $10 million currently allocated to the Small Business Invest Council and seek authorization for an additional $20 million. Work with the Council to have at least $15 million invested directly in New Mexico rural small businesses approved by Invest New Mexico.

The Small Business Investment Corporation (SBIC) may use up to $10 million to invest in preferred stock of small businesses in New Mexico. The SBIC was broadened in the 2003 Legislature to move these funds into the marketplace using both equity and debt by partnering with other financial investors. For example, the SBIC is actively pursuing relationships with other small business funding organizations, such as Accion, WESST Corporation, and the New Mexico Community Development Loan Fund.
Goal: Work with New Mexico Bankers to make at least $5 million in small business loans under the New Mexico Finance Authority’s loan participation program. The program would need to be capitalized from available funds or receive a legislative appropriation of $2.5 million as seed money.

The Finance Authority was authorized by the 2003 Legislature to purchase, at a below-market rate, a private loan or a participation in a private loan, in the form of an interest-rate buy-down, the purchase of a private loan originated and underwritten by a third-party lender, or other similar arrangements. The part of the loan purchased by the Finance Authority is secured by a lien on a parity with the lien obtained by the third-party lender in any collateral.

**Recruit New Business Investment from Out-of-State**

Goal: Utilize all tools under the “umbrella” of New Mexico to successfully recruit 5 out-of-state businesses, averaging at least 50 employees each.

Invest New Mexico can coordinate the provision infrastructure investments available from the NMFA, with fixed and operating business capital available through the State Investment Council and from assistance from local governments utilizing the provisions of the Local Economic Development Act to assist a business in everything from basic infrastructure, to plant and equipment, to operating capital.

The New Mexico Private Equity Investment Program (NMPEIP), governed by the State Investment Council (SIC), is intended to promote economic development in New Mexico. The SIC is authorized to promote economic development through the taking of higher risks or requiring a “differential” (lower) rate of return on investments that spur economic development in New Mexico.

The SIC may invest directly into New Mexico companies, up to 6%, approximately $200 million, of the state's Severance Tax Permanent Fund in private equity partnerships (ownership in a business entity) and/or co-investments with partnerships or other qualified entities. The SIC could co-invest with a qualified partner and own up to 51% of the New Mexico business. Up to 10% of the total money available may be invested in any one company.

The State Investment Council (SIC) can participate as an investor in a real estate development company that develops and owns the real estate for a business that benefits economic development in New Mexico. The State can invest in a Real Estate Investment Trust (REIT) that would buy land, construct a building and then ultimately lease it to a customer who may be starting, expanding or relocating a business to New Mexico. This is a market rate program, meaning that the SIC will seek a maximum yield on their investment. The pricing of the SIC participation would be at an appropriate market rate. The SIC interest would be limited to no more than $25 million.

The State Investment Council may also purchase bonds, possibly issued by the New Mexico Finance Authority (NMFA) or another entity related to a real estate project.

**Expand New Mexico’s Manufacturing Sector**

Goal: The NMFA will issue $15 million in tax-exempt Private Activity Bonds to expand the plant and equipment of small New Mexico manufacturers qualified by Invest New Mexico.

For small manufacturers (as defined by the IRS), Invest New Mexico can offer tax-exempt bonds. The Legislature this year authorized up to 15%, or approximately $35 million, of the state's $230 million tax-exempt Private Activity Bonding cap to be used for small manufacturers. These bonds are issued by the New Mexico Finance Authority. The allocation of the Bonding Cap is administered by the Board of Finance.

The New Mexico State Investment Council, the New Mexico Small Business Investment Corporation or the NMFA may decide to purchase a portion of a bond issue on a basis subordinate to, or at more favorable rates than those offered by, the main purchaser of the issue. By reducing the risk to the main bond purchaser or by accepting a lower rate, the State can offer a blended interest rate that is below the market rate on both the bonds and the payment obligation of the business. If the State Investment Council is the purchaser, the purchase would be from the Severance Tax Permanent Fund as a “differential rate” investment.
Encourage quality development in rural areas:

Goal: The NMFA will issue at least $40 million in Industrial Revenue Bonds on behalf of small communities in rural New Mexico qualified by Invest New Mexico.

The NMFA can now offer local governments and tribal governments the ability to "opt-in" to a state program that will handle the issuance of IRBs. This program makes the IRB process available, at minimal cost, to rural communities which have in large part not taken advantage of this tool. The structure is now set up for the private business, or some other source, to help make up for the impact of any tax abatement that results from the issuance of the IRB. In some cases the State Investment Office, or the NMFA itself, may be in a position to purchase some or all of the bonds being issued.

The success of the program described above would be greatly enhanced by the appropriation of at least $5 million by the Legislature to a fund which would compensate the community for lost tax revenues resulting from financing the business expansion through the issuance of industrial revenue bonds.

Revitalize Main Street New Mexico

Goal: Utilize NMFA, CDBG, local government and private funds to revitalize 4 downtown areas or other “destinations”.

Many historic downtown areas and other historic and natural “destinations” across the state could draw many more businesses and visitors if they offered investment upgrades. Invest New Mexico can facilitate the public/private partnerships necessary to provide the necessary planning and financing. Albuquerque has been able to create such partnerships on its own, as have other larger cities, by creating the necessary redevelopment zones and special assessment districts. Smaller communities need the help Invest New Mexico and its funding partners can provide.

Invest New Mexico can assist the communities in combining legislative capital outlay appropriations with community development block grants and NMFA loans, either through tax increment financing or utilization of the loan participation program discussed earlier.

To enhance the tools available, Invest New Mexico should seek changes to the State-Wide Economic Development Finance Act (Senate Bill 932 passed by the 2003 Legislature) to allow non-profits to seek reduced interest rates on loans supporting local economic development projects.
Invest New Mexico will deliver in a coordinated manner a group of financial tools and incentives focused on the development of both the public and private capital in order to accomplish constructive and balanced economic development—rural and urban businesses, large and small business, expanding existing New Mexico businesses and recruiting new businesses from around the world. Total resources of these programs exceed $1 billion.

The core programs of Invest New Mexico are presented in the figure, illustrating how these programs serve businesses at all states of development, from genesis to maturity.

A single application will give the business access to all of Invest New Mexico’s programs, as well as other public and private investment programs with which we are affiliated.

We encourage the entrepreneur to help us choose which funding program may be compatible with his/her business; however, we have Account Executives available who will help match each business with the appropriate product after the application is received.

The first application process is with Invest New Mexico, located within the New Mexico Economic Development Department. At that entry point, the INM Account Executive will review applications and answer questions. Applicants will find the application online at www.InvestNewMexico.com.

The eligibility and criteria for each of products may be different, depending upon the sponsoring agency. These products will not be offered until after a candidate has completed the first application and been approved by Invest New Mexico Review Committee.

The following figure provides a flow chart of the decision process adopted by members of Invest New Mexico. Please note that the members of Invest New Mexico’s Review Committee are the agencies Governor Richardson appointed to the Governor’s Finance Council. The Financial Experts on the Review Committee are from private industry. The public sector and the private sector will work hand-in-hand in determining the viability of the business candidate.
The process outlined in this paper is unique to New Mexico and manifests its mission to provide an investor-friendly funding procedure for the customer who wants to invest in New Mexico’s business capital base.

While the process is efficient and streamlined, Invest New Mexico maintains strict requirements over such components as the strength of business plans, experience of management and financial soundness. Invest New Mexico is investing taxpayers’ money and will uphold the highest standards before doing so.
VISION STATEMENT

"The strength of a nation lies in the homes of its people." Abraham Lincoln

Housing is a basic necessity of individual, family, and community life. Economically, home equity accounts for the largest single source of individual household wealth. More than half of the loans in the financing industry are for housing mortgages or construction loans. Housing construction and sales have long been seen as indicators of overall economic conditions and health.

New Mexico has serious issues regarding housing for its residents. These issues will be addressed by Invest New Mexico. The vision for New Mexico is to implement innovative housing strategies to provide all New Mexicans with the opportunity to live in acceptable, affordable housing. These strategies will increase workforce stability, foster economic growth, conserve precious resources, and enhance the quality of life.

NEW MEXICO’S CURRENT HOUSING ISSUES

Housing markets and conditions in New Mexico are as diverse as its geography. The specific priorities, needs, and barriers to meeting those needs vary greatly for each locality. One approach will not fit all situations, and statewide investments and incentives will need to be flexible and tailored to best serve the diverse communities throughout New Mexico. The key issues facing the state are as follows and will be discussed in detail below:

Issue #1: Many working families find home ownership an unaffordable dream.

Local economists project continued population and job growth, but as in much of the nation, the trend in New Mexico has been toward employment in the retail trade and service industries where wages range from $8.00 to $14.00 an hour, respectively. There is now a significant portion of the population with wages and incomes that are not keeping pace with the rapidly increasing costs of housing, both existing and newly developed. This alarming trend reflects problems with the supply of homes as well as the price and location of houses on the market. In growing communities like Las Cruces, Santa Fe and Taos, there are not enough entry-level homes for working families to purchase. This lack of supply translates into longer and longer commutes for family breadwinners as they search out a home they can afford. More than half the employees working away from their homes in Torrance, Valencia, Mora and Rio Arriba counties spend an hour a day driving to and from their jobs. These conditions create snowballing detrimental impacts, increasing household energy consumption and costs, and limitations of the amount of time family members can spend together.

According to studies conducted by the National Association of Home Builders, the construction of 1,000 single-family homes generates 2,448 full-time jobs in construction and construction-related industries; $79.4 million in wages; and $42.5 million in combined federal, state and local revenues and fees. The construction of 1,000 multifamily units generates 1,030 full-time jobs in construction and construction-related industries; $33.5 million in wages; and $17.8 million in combined federal, state and local tax revenues.
The growing disparity between incomes and housing costs is at the crux of the housing affordability problem:

- 35%, of the New Mexican households earning less than $50,000 per year pay more than 30% of their gross monthly income on housing costs.

- Housing costs are too high for 41% of the 129,523 homeowners earning less than $35,000 annually.

- At a time when mortgage interest rates have been lower than they have been in decades and the rate of homeownership is increasing in neighboring states, the New Mexico homeownership rate has declined by nearly three and a half points.

- The population of New Mexico grew about 20% between 1990 and 2000, the 12th fastest growing state in the nation. At the same time, New Mexico ranked 43rd in the nation for its median household income.

### Issue #2: Too few new affordable homes have been built in New Mexico communities

New Mexico is experiencing a serious housing shortage for low- and moderate-income families in nearly all areas of the state, and an inadequate supply for even the more affluent households in some communities.

The quality of our lives and the viability of our communities are contingent upon developing an adequate supply of housing for all income levels as we continue to grow into the 21st century. The availability of affordable housing is paramount in maintaining healthy regional economies as well as in helping families maintain financial stability. Without adequate housing choices, businesses are not able to recruit and retain workers, including essential employees such as teachers, nurses, and public safety professionals. Without acceptable housing choices, new businesses are unlikely to locate in a community and economic development efforts are stifled.

In such communities as Gallup and Lea County, the difficulty in growing industries of housing employees is becoming a crisis. In some communities, there have been no new housing starts for several years. There is an immediate need for incentives and financing mechanisms to stimulate and enable housing development in these communities.

### Issue #3: Much of the state’s housing stock is older and in need of repair

New Mexico takes pride in its communities that have been continuously inhabited longer than most other places in the United States. However, many of our dwellings are now showing their antiquity and have become dilapidated and unsafe. Generally, repairing and preserving existing housing costs less than replacing it at today’s costs. New Mexico’s existing housing stock is valued at over $46 billion. That asset will depreciate rapidly if we do not implement aggressive programs to preserve the historic character and modernize these houses.

- 57% of New Mexico’s housing stock was built before 1980 (445,793 homes)

- More than one in four of the housing units in McKinley County lacks complete plumbing
• 25% of New Mexico’s homeowners are 65 or older, and almost half of these persons have a disability

• Over the past three years, MFA has received requests exceeding available funding by over $3.75 million for owner-occupied housing rehabilitation

**Issue #4: Much of New Mexico’s current housing stock uses water and energy inefficiently**

The majority of New Mexico’s housing units were not built to today’s energy and water conservation standards. Many of the older dwellings will need retrofit measures to decrease energy and water consumption. Small improvements to new homes can greatly enhance energy and water efficiency.

**Issue #5: The overuse of high-cost mortgage loans negatively affects communities**

High-cost loans can increase the likelihood of foreclosure. High interest rates and fees can erode home equity which, in turn, reduce family and community wealth. In some years, as many as one in five mortgage loans is a high-cost loan. In addition, one study estimates that as many as 1/3 of the high-cost loans are sold to borrowers who qualify for prime loans, but do not know enough about the process or their financial status to understand their options.

**Case Example**

In Lea County, recruitment of essential health care workers has been seriously hampered by the shortage of acceptable housing. Health care providers cite several examples of having hired employees who later rejected the positions because they were unable to find acceptable housing. There are instances of doctors living in recreational vehicles and trailer homes, and the Executive Director of the Economic Development Corporation has had his furniture in storage for over two years because he has yet to find suitable housing. This critical shortage of acceptable housing choices will be exacerbated by expected growth resulting from the anticipated development of a racetrack/casino and uranium enrichment plant in the County.

An 83-year-old woman who owned her home in Magdalena was found to be living with no heat source, no bathroom facility, and a crumbling foundation. Leveraging financing from multiple sources, the Socorro County Rehabilitation Program provided a $39,767 deferred payment loan to completely rehabilitate the structure. The home, which was previously valued only for the land, now appraises at $52,952, providing both a safe and comfortable dwelling and a housing asset for the future. The elderly woman and the situation in which she was living are typical of the clientele served and the life-threatening conditions addressed by the Socorro program. The program currently has a 5-year waiting list.
**Issue #6: Much of the state lacks capacity at the local level to implement innovative housing strategies**

Housing development and preservation are primarily private sector activities undertaken at the local level and driven by complex market conditions. Each community has unique conditions, opportunities, and barriers related to its housing needs. Informed community members are best suited to make decisions regarding housing development. State strategies to assist in providing the investments, incentives, and tools to meet housing needs will be less effective unless there are motivated individuals and entities at the local level with the capacity and expertise to undertake housing development and preservation actions.

**Issue #7: The lack of flexible venture capital to catalyze innovative housing strategies and attract new investment**

In order for New Mexico to realize success on planning any new housing strategy, a sufficient amount of flexible risk capital must be available to fund new strategies. While there is significant residential capital available in the private sector, in order to access this capital to effectively address housing needs, New Mexico needs a funding source to take up-front risks, provide credit enhancements, and build long-term capacity.

**RECENT PROGRESS ON HOUSING IN NEW MEXICO**

Since its inception in 1975, the MFA along with State Government and their local partners, have continually developed and provided resources to address the full continuum of serious housing needs in New Mexico, from homelessness to homeownership. Lieutenant Governor Diane Denish recently became the first Lieutenant Governor to serve as chair of the MFA in its 28-year history, indicating the goal of affordable and acceptable housing is a high priority in New Mexico. Building on past successes and recent progress described below, the proposed Housing Strategy reflects an intensification of and renewed commitment to New Mexico’s efforts to enable all of its citizens to obtain safe, acceptable, and affordable housing.

- Between June 2000 and June 2003, the MFA has worked in partnership with local lenders to help 6,971 families in New Mexico achieve the dream of homeownership through the provision of lower interest mortgages and down payment and closing cost financing. In addition, MFA has provided financial and technical support of over $1,000,000 to local housing providers, enabling them to conduct first-time homebuyer training throughout the state.

- This year MFA has awarded a record $50 million in Low Income Housing Credits to local development partnerships, creating approximately 1,080 affordable rental-housing units throughout the state.

- So far this year, MFA has invested $121 million in affordable housing: $80 million in affordable housing financing, $38 million in rental housing financing and assistance, and $3 million in special needs projects.

- Governor Richardson has initiated a $2 million innovative employer-assisted housing program for teachers, nurses, and public safety professionals.

- A Home Loan Protection Act has been passed to provide remedies to vulnerable borrowers, such as seniors and first-time and low-income homebuyers who have fallen victim to predatory lending practices.

**Case Example**

The recently announced Santa Fe Teacher Housing Assistance Program, Teacherwise, is a great example of State and local partnerships to address the need of workforce housing. Together the MFA and Santa Fe Public Schools will provide $1 million to assist the city's teachers with down payments, closing costs and principal reduction for the purchase of their first homes, rehab loans for teachers who are already homeowners, and rental assistance. The State will also contribute $300,000 to the effort, bringing the total assistance package to close to $1.3 million. Homewise of Santa Fe spearheaded the effort and will administer the various program components. Through the program, Santa Fe will attract and retain teachers in one of the highest-priced housing markets in the country. This will have a positive impact not only teachers and their families, but also on the children who will learn in more stable schools and classrooms.
GOALS AND STRATEGIES

“Studies consistently have shown there is a direct connection between homeownership and quality of life. When parents buy a home, they are making an investment in their children, their futures and in the places where they have chosen to live and work. That dream is sometimes out of reach for many families.”

Lieutenant Governor Diane Denish

The proposed State Housing Strategy is not simply to invest in the building and maintenance of housing units, but to invest in building and sustaining healthy and viable communities. Housing development and preservation must ultimately be undertaken in a manner that sustains and preserves our environment, uses our precious resources efficiently, and enhances our quality of life while addressing the major housing issues in New Mexico described above. The following goals and strategies seek to address these issues:

Goal #1: Increase the homeownership rate from 69.3% to 75% by creating 45,000 new homeowners by 2013

Strategy: Launch the New Mexico Homebuyer Assistance Program which will:

• Provide $2.1 billion in tax-exempt bond financing for below-market-rate first-time homebuyer mortgage loans.
• Provide $50 million for down payment and closing cost assistance.
• Provide homebuyer education to 15,000 households.
• Provide $2 million to help teachers, nurses, and law enforcement personnel buy homes in the communities where they work.
• In order to ensure that New Mexico military bases are kept active, the state will prioritize the use of financial resources for military housing.
• Develop an MFA Mortgage Insurance Fund to provide insurance coverage on high ratio loans on single family, condominium, and two-to-four family property loans not being served by private mortgage insurance companies.

Goal #2: Build over 11,000 new affordable homes including 4,500 new single-family homes and 6,840 new rental homes

Strategy: Launch the New Homes for New Mexico Program which will:

• Provide $540 million in low-cost development and construction financing for affordable single-family homes.
• Utilize $350 million in low-income housing tax credits and $300 million in tax-exempt bonds to finance the development of new rental units.

Goal #3: Repair and improve at least 10,000 housing units

Strategy: Create the New Mexico Home Improvement Program that will:

• Capitalize local home improvement loan funds to leverage local, federal, and private capital to provide affordable home improvement loans.
• Utilize existing federal resources to provide more home improvement financing to very low-income households.
• Create a flexible, non-federal capital pool to more effectively finance the rehabilitation of homes owned by modest-income New Mexicans.
• Develop a Reverse Annuity Program to enable senior New Mexico homeowners to provide more substantially for their own in-home support.

Goal #4: Reduce the per-unit water and energy consumption of new and existing housing

Strategy: Create the Resource Efficient Housing Program that will:
• Provide low-interest home improvement loans to retrofit inefficient appliances, make resource-efficient improvements, install gray water systems and other energy-saving measures.

• Amend state building codes to allow the use of gray water plumbing systems and the use of other innovative building systems. Encourage similar amendments to local codes.

• Introduce or support legislation creating state tax credits for the installation and retrofit of renewable energy devices and water efficient plumbing mechanisms.

Goal #5: Reduce the use of high-cost mortgage loans

Strategy: Form a partnership with banks, financial institutions, non-profit organizations, and local government to create a “Don’t Borrow Trouble” public education campaign to reach every New Mexico community by:

• Utilizing media outlets, a speaker’s bureau, schools, civic organizations, and churches to raise awareness of the dangers and costs of certain lending practices.

• Providing financial fitness education and counseling to 15,000 households.

• Providing homebuyer education to 15,000 households.

• Access $1.2 million in federal, state, and local funding per year to support housing and financial counseling education and counseling organizations that promote homeownership and reduce the use of high cost loans.

Goal #6: Strengthen the capacity of local governments, nonprofit organizations, housing authorities, and the private sector to implement innovative housing programs

Strategy: Create the Office of Housing Innovation and Local Capacity Building that will:

• Make the Governor’s Annual Innovation in Housing Awards an annual competition that invests in the most innovative and promising housing strategies while building local housing capacity.

• Provide technical assistance and capacity building grants to help communities develop the capacity to implement innovative housing programs, including targeted assistance to identified underserved communities, areas that are difficult to develop, and areas with identified critical needs.

• Provide statewide training and technical assistance regarding housing development, preservation, and financing topics common to all communities.

• Conduct ongoing research on innovative housing strategies and technologies, state of the art “best practices”, and disseminate information to local housing industry organizations and businesses.

Goal #7: Invest $3.5 billion in New Mexico’s housing infrastructure over the next 10 years.

Strategy: Development and implement a comprehensive financing strategy to fund the innovative housing strategies described under Goals 1-6 and include the following steps:

• Create the New Mexico Housing Trust Fund with revenues of $5 million per year to be used as venture capital to catalyze and provide leverage investment from the private sector as well as from federal and local government.

• Effectively utilize tax exempt mortgage revenue bonds, other private activity bonds; taxable bonds; low-income housing tax credits; federal housing resources, including CDBG, HOME, and weatherization funds; the state’s permanent fund, and the state investment council funds.

• Entice the state to invest in housing by creating investment opportunities with credit quality not lower than A rating, as determined by Standard and Poors.
While the Governor’s Finance Council has completed its initial task and submitted its plan, “Invest New Mexico”, the Council’s real work has only begun. New Mexico’s infrastructure investments must be planned and financed by a dedicated group of “partners”. For this reason, the Finance Council recommends to the Governor the immediate establishment of the “Invest New Mexico Partnership” to champion the plan.

The Invest New Mexico Partnership should be created by the Governor’s Executive Order by January 1, 2004, with the Finance Council members as the steering committee and the addition of as many as 100 members in early 2004. Partners from all levels of government---federal, municipal, Tribal, county, regional and state should be included. Partners from throughout the private sector -- planners, the financial community, building contractors, land developers and many others -- must be at the table. Partners from the non-profit sector -- environmental groups, civic associations, and many others -- must participate in the Partnership.

The keys to the success of the Invest New Mexico Partnership are in the Governor’s hands and those of the Finance Council. For the Partnership to succeed, as it must, the Council recommends the following:

- **Your Personal Leadership as the Governor of New Mexico.**
  Just as you have participated in all aspects of the Finance Council this year, you must continue to demonstrate this same leadership as the plan moves forward.

- **Keep the Partnership Focused on the Invest New Mexico Plan.**
  The plan the Finance Council has submitted is only a starting point: a set of urgent recommendations. The Partnership -- all 100 of them -- must work to refine the Finance Council’s work and then develop a plan that the Partnership “owns” and can recommend to all New Mexicans.

- **Provide good communication.**
  The Partnership must initiate and sustain a “statewide conversation” among all the parties of interest. Again, the Finance Council’s key finding and critical recommendation is that in 2004, the State adopt both “partners and a process” to sustain the infrastructure investment plan for a 10 to 15 year period. The entire plan requires acceptance and full support by New Mexicans.

Finally, the Council recommends the Governor keep the Invest New Mexico Partnership focused on the other key task, along with championing “the plan” -- and that task is to find financing to make the plan a reality. Partners should be prepared to be investors.
Starting today, starting with this report and plan, the Governor’s Finance Council calls upon all New Mexicans to help build a better New Mexico. Better schools, roads, water systems, housing, colleges, universities and other public and private infrastructure investments are the foundations for a stronger economy and a better quality of life.

Join us today. Become an “infrastructure partner”. Contact our Governor’s Finance Council website from http://www.governor.state.nm.us Or call Governor Richardson and tell him how you can help. Call 476-2200.

Thank you.

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