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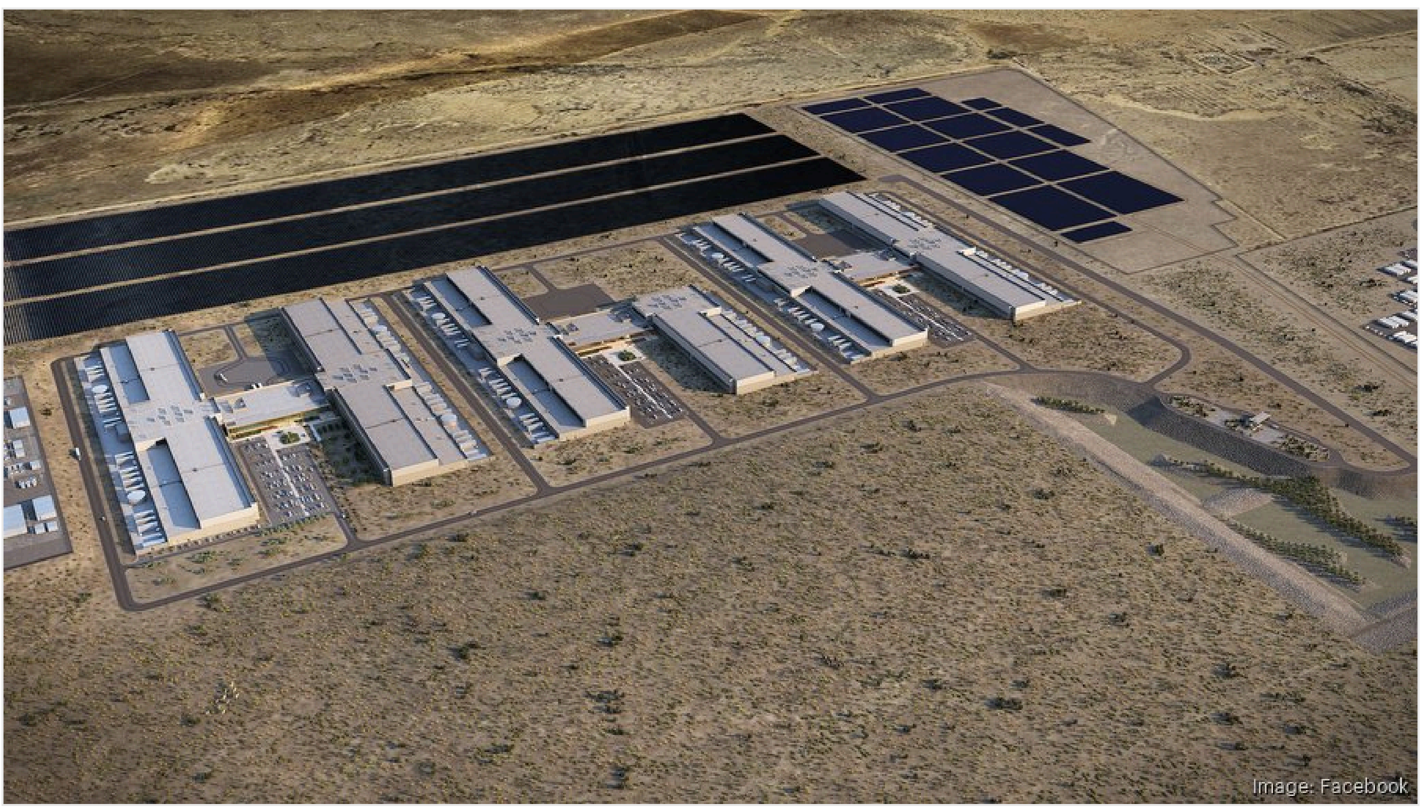
Economic experts sound alarm on incentive bill



Economic experts warn HB6 could reduce state competitiveness and investments.

COURTESY OF FACEBOOK

By Leah March – Santa Fe/Las Cruces Reporter , Albuquerque Business First
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A bill demanding state-set wages on private projects using local economic incentives passed the Senate Judiciary Committee last night. Economic development experts throughout the state are sounding alarm bells, saying that the bill will neutralize the incentives, rendering New Mexico less competitive when recruiting investment and resulting in fewer projects, fewer jobs and lost economic opportunities.

House Bill 6 requires that projects receiving industrial revenue bond incentives pay laborers prevailing wages – wages determined by the highest wages paid to employees doing similar work in the state or locality, according to the bill. If no union bargaining wage agreement exists in a given locality, the bill states, the Workforce Solutions Department Labor Relations Division Director will determine the prevailing wage using the wage set by the nearest collective bargaining agreement. The prevailing wage will be adjusted each year by the director, the bill states. The move represents an effort to attract more skilled labor and to ensure fair wages on publicly facilitated projects.

"Paying a fair, prevailing wage is not just the right thing to do, it actually helps increase worker productivity, reduce workplace injuries and address labor shortages," HB6 sponsor and House Majority Leader Renee Szczepanski (D-Santa Fe) said in an email exchange with Business First. "This is what we do on all other public works projects, and IRBs shouldn't be an exception."

Industrial revenue bonds are “one of the state’s most important and effective economic incentives,” according to New Mexico Economic Development Department. When a company is awarded an IRB, it secures and repays the bonds while benefiting from reduced property taxes on the investment for up to 30 years, according to EDD. The financing structure particularly serves large, capital-intensive private projects, like the Intel facility in Rio Rancho and the Facebook plant in Las Lunas.

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Economic development experts point to the way that IRBs level the playing field in the competition for projects between states.

“When we look at industrial revenue bonds and other tools, I think it's really important to understand that those are often used in communities in New Mexico to get us to a competitive rate that allows business to successfully build and operate here, and create new investment and jobs,” Danielle Casey, president and CEO of the Albuquerque Regional Economic Development Alliance, said in an interview with Business First. "We certainly do not want the community to be taken advantage of, and a number of checks and balances and processes exist to guard against that in the incentive review process. However, we also will never reap the rewards of a new investment if we are more expensive than competitor markets that they could just as easily operate in.”

While others advocate for more stringent rules on IRBs, arguing that communities are “giving away” tax revenues to investing corporations, Casey argues, “They're not giving away existing tax revenue to anybody, because you don't have them if the company doesn't come. They are instead foregoing collection of a portion of taxes for a pre-determined period of time so the company can use it to pay for things – water lines and waste lines and all of that, for example, because otherwise they're not going to financially be able do it here. And the local communities spend a lot of time, as does the state of New Mexico, really digging into and vetting that that is factual.”

Critics contend that a state-mandated "prevailing wage" limits smaller communities' ability to negotiate alternative benefits, such as company-funded road investments, that could better address local needs. Additionally, IRBs are paid off over 30 years – a long window for a company to commit to a prevailing wage calculation that could fluctuate beyond the broader market influences that would impact wages in other states.

The EDD warns in its fiscal analysis that the bill will likely increase the cost of construction, which could discourage businesses from investing in the state, and that the added red tape of ensuring compliance with wage requirements could delay project approvals.

The EDD analysis also illustrates that IRBs are particularly effective in converting undeveloped land into productive economic hubs. Before investment, the sites often have low taxable value and "may remain vacant for years without incentives," the analysis reads.

"By facilitating private investment, IRBs drive job creation, infrastructure improvements and long-term tax revenue growth for local governments," the analysis concludes.

The cost of public projects in New Mexico – which must pay prevailing wages – increased by 138% between 2019 and 2023, an enormous difference compared to the national average, which increased 35% over the same period, according to research by the New Mexico Legislative Finance Committee. The EDD fears that adding the new public sector wage requirements to private sector construction projects, as HB 6 proposes, could similarly impact the costs of private-sector construction, according to the department report.

"Cost increases on construction will negate any positive benefits the IRB would have provided in the first place. Best-case scenario is that projects will still decide to move forward in New Mexico but without using the IRB. In this case the prevailing wages that HB6 seeks to obtain will not be realized," Davin

Lopez, CEO of the Mesilla Valley Economic Development Alliance, a nonprofit that recruits companies to the region, said in an email exchange with Business First. “The more likely scenario is that we will lose projects all together to other states, resulting in the loss of both construction and permanent job opportunities, as well the new tax base that could have been created.”

The bill was introduced by Rep. Reena Szczepanski (D-47), Sen. Mimi Stewart (D-17), Rep. Patricia Roybal Caballero (D-13), Rep. Joseph L. Sanchez (D-40) and Rep. Javier Martínez (D-11), the bill’s five sponsors.

If the Senate decides to hear it, HB6 will go to the floor to be heard by noon on Saturday.

If enacted, the bill would go into effect on June 20.

THE LIST

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No. of Santa Fe employees

Rank	Prior Rank	Business name
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2	3	Presbyterian Santa Fe Medical Center
3	4	Eldorado Hotel & Spa

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