

# A RISING STAR IN THE Southwest

WHETHER IT'S CUTTING TAXES 24 TIMES WHILE TURNING A HUGE DEFICIT INTO A SURPLUS OR GUARANTEEING AN ADEQUATE SUPPLY OF WATER IN THE WORST DROUGHT IN HISTORY, NEW MEXICO HAS A PLAN THAT WORKS.

BY JACK ROGERS

Converting a large structural budget deficit into a surplus is a daunting task for any governor. Achieving this kind of fiscal stability while reducing taxes 24 times is an accomplishment most governors can only dream about. Gov. Susana Martinez of New Mexico has met this challenge head-on and transformed what seemed to be a sleepy outpost in the Southwest into a dynamic growth center that is welcoming droves of new businesses who are putting down roots in the Land of Enchantment.

In an exclusive interview with *Business Facilities*, Gov. Martinez told us that when she became governor she inherited not only a huge fiscal mess (the state budget deficit topped \$500 million when she took office), but a perception among businesses that the business climate in New Mexico was less than enchanting.



"I hear all the time from different companies who in the past wouldn't even consider New Mexico, who would skip right over us," Martinez told *BF*. "But when they hear about how we closed the largest budget deficit, at the same time cutting taxes 24 different times—and doing it in a bipartisan way—they want to bring their businesses here."

"We've made New Mexico a much friendlier state for business," she added. "The people who wouldn't even look at our state before are seeing how much friendlier we are, how we're open for business."

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The cornerstone of Martinez's tax reform effort occurred two years ago, when NM enacted a once-in-a-generation change in dramatically reducing its corporate income tax by 22 percent, creating a single sales factor for manufacturers which essentially eliminated the corporate income tax for those who produce a product in New Mexico.

The initiative turbocharged a surge of new manufacturing in New Mexico and rocketed NM up from its annual position near the bottom of national rankings for state tax structure to the top of many keys lists: Ernst and Young now ranks

New Mexico no. 1 in the western U.S. for manufacturing a product; NM also garnered a citation from the Tax Foundation for Outstanding Achievement in State Tax Reform.

### CREATING A BI-NATION COMMUNITY

Gov. Martinez made increasing New Mexico's exports, particularly its cross-border trade with neighboring Mexico, one of her top priorities.

"It's hard to believe, but back then New Hampshire was doing more business with Mexico than New Mexico was," the governor told us. "So during my first legislative session we passed the Border Jobs Initiative, which not only leveled the playing field with other states, but made us more competitive internationally."

The centerpiece of Gov. Martinez's border initiative was the development of the Borderplex in Santa Theresa, which during her tenure has grown into a primary logistics and manufacturing hub that straddles the New Mexico-Mexico border. A deisel-fuel cost-saving measure helped land Union Pacific Railroad's \$500-million rail facility at the Borderplex, grabbing this prize from land-locked Texas next door.

"We also created the first of its kind international cargo zone, which allows trucks entering from Mexico to come into New Mexico with heavier cargo and unload on the U.S. side of the border. Before, these huge 18-wheelers had to partially unload before they crossed into the U.S. We've made it easier for business because we know that time is money," Martinez said, noting that the creation of the special 12-mile-radius zone was a key factor in decisions by two larger manufacturers—Interceramic, a maker of ceramic tiles, and picture-frame producer MCS—to locate warehousing facilities in New Mexico.

The results of Gov. Martinez's initiatives to spur more cross-border business have been nothing short of spectacular: Exports to Mexico from New Mexico

notched an all-time high in 2014 of \$1.549 billion, nearly doubling in one year's time. But the governor made it clear to us that when it comes to building a trade superhighway between NM and Mexico, she's just getting started.

Martinez recently met with Mexican President Enrique Peña Nieto to discuss the creation of what she calls the Gateway to America, the first "bi-nation community." This multi-billion-dollar initiative envisions a 70,000-acre cross-border zone linking Santa Theresa, NM with its sister city on the other side of the border in Mexico. Mexico will build a new rail line that ends in the bi-nation community zone, which lies at the halfway point along the 2,000-mile U.S.-Mexico border and is the easternmost land crossing between the two countries.

New Mexico's trade success hasn't been limited to Mexico. Martinez recently announced a record-breaking

year of export growth in New Mexico. Total exports of New Mexico products set yet another all-time high in 2014 at \$3.8 billion, an increase of more than \$1 billion over 2013 figures. The latest data also shows that the mix of goods being exported from NM is greatly diversifying, and the state is also exporting more goods to a wider range of countries.

For example, exports from NM to Japan grew by more than \$30 million in one year (from \$41 million in 2013 to \$74 million in 2014), a 146.7-percent increase. Exports to South Korea doubled, from \$21 million in 2013 to \$42 million in 2014. Exports to Saudi Arabia increased five-fold and exports to Ireland doubled.

Additionally, over the past several years, fabricated metal product exports (which are key to the manufacturing process) have doubled; shipments of aviation equipment and instrumentation have risen by more than \$60 million



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(from \$132 million in 2010 to \$193 million in 2014); electrical equipment shipments nearly tripled; and shipments of plastics and rubber products (also key to manufacturing) increased from \$39 million in 2010 to \$94 million in 2014.

"We've partnered with the U.S. Department of Commerce to increase New Mexico's global presence and help connect New Mexico businesses with new international markets," Martinez told *BF*. "We want everyone to know that we're here and we're open for business."

### STAYING AHEAD OF THE CURVE IN WORK TRAINING, WATER RESOURCES

While many states are just beginning to address the critical priority of workforce training, New Mexico has been ahead of the curve for years, putting in place innovative and effective training programs and dual-credit curriculum that prepares high school students for high-tech jobs.

New Mexico has one of the most generous training incentive programs in the country. The Job Training Incentive Program (JTIP) funds classroom and on-the-job training for newly-created jobs in expanding or relocating businesses for up to six months. The program reimburses 50-75 percent of employee wages. Custom training at a New Mexico public educational institution may also be covered. Eligibility for JTIP in NM recently was expanded to include the



Gov. Martinez at the AGPower groundbreaking, a project in which four companies created 200 new jobs in Roswell, NM.

advanced manufacturing sector.

"In New Mexico, we have a very talented and diverse workforce, a substantial portion (of which) is bilingual," Martinez told *BF*. "Our pipeline includes 70,000 college students. Our workers are younger and better educated than the national average."

The governor, by executive order, has brought together a group of public and private sector leaders in the state to develop and execute workforce training plans based on private-sector employment needs. "Our mission is to match New Mexico workers to the jobs that are available today and in the near future, so we need to have a partnership with the businesses who tell us what kind of employees they're needing," Martinez said. "We've created a New Mexico

Workforce Partnership between the business community and our education system, so the curriculum is matching up with the jobs that are available in our state."

The epic drought has been a severe challenge for Western states, forcing California to enact

the first mandatory water conservation measures in its history. These severe conservation laws have not been necessary in New Mexico, Martinez told *BF*, because the state has made innovative management of water resources a top priority for years.

"Unlike Texas or California, New Mexico measures and meters the water we use. We didn't enforce any mandatory conservation measures because we didn't have to," the governor told us. "We conserve water by limiting how much we pump out of the ground. Our agricultural community is really a wonderful steward of our water. We changed to drought-resistant crops and irrigation systems which use less water. Our cities have reduced the amount of water they use each year and our water managers have worked hard to ensure that we can meet our obligations to pass on a certain amount of water to other states."

To ensure this critical resource keeps flowing, Martinez pushed through \$89 million in funding for investments in water infrastructure. Water researchers at New Mexico University and NM's world-class national labs, including Sandia, are pioneering and commercializing new water-saving technologies.

"We are very, very aware of what could happen if we don't stay ahead of the game," Gov. Martinez said. **BF**



Ribbon-cutting for the completion of the final phase of the Cascades at Carlsbad.