

Governor Takes Business-Friendly Record To Bigger Stage

By Winthrop Quigley

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Not long after he took office in 2003, Gov. Bill Richardson happened to be in Chicago, home of Health Care Services Corp. HCSC had built a Blue Cross and Blue Shield customer support center employing hundreds of people in Albuquerque the year before.

Richardson stopped by HCSC headquarters, unannounced according to urban legend, for a short visit. He thanked company executives for doing business in New Mexico, and he suggested that future expansion could occur in Las Cruces.

He also made the same kind of trip to California to thank Intel executives for their company's presence in New Mexico.

As the governor prepares to become U.S. commerce secretary and the country's next No. 1 business advocate, his critics, skeptics and fans agree that no one has worked harder than Bill Richardson to sell New Mexico as a great place to do business.

While people can debate how much of the credit he deserves, employment and income data show that New Mexico's economy took off in the Richardson years. Venture capital, once scarce, has begun flowing into the state. Film production has become a major industry, employing thousands of people. Education funding increased. Companies as diverse as solar energy component manufacturer Schott AG and Fidelity Investments located operations here.

Even so, the word many use to describe Richardson's economic legacy is "mixed."

A mixed legacy

There were some spectacular miscues, chief among them the multimillion-dollar loss on New Mexico's investment in now-bankrupt Eclipse Aviation — although some argue that the state recouped those losses through the company's employment and contracting business over the years. A group of insiders who have made a bid for the company says it hopes to emerge from bankruptcy and stay in Albuquerque.

The income tax cuts Richardson pushed through the Legislature have drawn fire from groups that favor more spending on social programs, but praise from the business advocates who argue that it has helped make New Mexico more competitive with neighboring states in the attempt to attract economic development.

In any case, the state faces a shortfall of up to \$500 million due to declining oil and natural gas tax revenue and a slowdown in consumer spending.

That's tough medicine for lawmakers who have approved budgets with general fund spending increases averaging 6 percent over the last decade.

Because Richardson governed an oil- and gas-producing state during an era of expanding global demand for energy, some skeptics have concluded he was more lucky than anything else.

Friends & supporters

Then there were the friends of Bill. There is no proof anyone was illegally rewarded for

his or her association with the governor, but with uncomfortable frequency Richardson accepted airplane rides and donations from companies hoping to benefit from state government action. Among them were Mesa del Sol developer Forest City Covington and RS Investments, a housing developer with interests in Valencia County.

"There certainly were a lot of instances where companies looked on favorably by the state were also making campaign donations," said House Minority Leader Thomas C. Taylor, R-Farmington. "There is a long list of those. Whether (donations were) a requirement, I don't know. Nevertheless, there is that track record that is there."

State Sen. Mark Boitano, R-Albuquerque, agrees Richardson has been a great salesman. "He did a good job of selling the Legislature on Republican tax cuts. The tax cuts sold to the Legislature — capital gains, tax holidays, personal income — were all Republican initiatives that didn't go anywhere under the Johnson administration."

Boitano thinks Richardson gets a lot of credit for economic factors out of anyone's control. "The reality is, if you take out a couple of years when we were awash in money at the state level, resulting in capital outlay projects statewide, resulting in job creation in public works, and the housing boom we experienced, if you take those jobs off the table, and the state had no control over any of that, the last six years have been remarkably similar to job creation under the Johnson administration."

According to New Mexico Voices for Children research director Gerry Bradley, an economist, "The power of the executive in the state to affect the economy is always exaggerated. Way exaggerated, both positively and negatively."

Bradley blames Richardson's tax policy for an emerging state fiscal crisis and thinks the state has underfunded important social programs as a result. Still, he said, statistical indicators suggest that Richardson did some good.

The data speak

An analysis of data from the University of New Mexico Bureau of Business and Economic Research shows:

- Employment grew at a 2.4 percent annual rate during Richardson's first term compared with a 1.9 percent pace during Gov. Gary Johnson's last term.
- New Mexico's per capita personal income ranks 44th among the 50 states. It was 48th in Johnson's last year in office.
- The total state and local tax burden as a percent of residents' personal income is 39th lowest among the 50 states this year, according to the Tax Foundation, and was never higher than 35th since Richardson took office. New Mexico ranked as high as 25th under Johnson and was never lower than 35th.

Some of the job growth should be credited to tax incentives enacted on Richardson's watch, Bradley said. "You can see the employment growth and income growth in some of those targeted areas," he said, including high tech and film industry jobs.

BBER director Lee Reynis isn't sure how much credit Richardson deserves for better times but said the contrast with Johnson's approach to the economy is dramatic.

A question of leadership

During Johnson's second term, the national economy was booming. Gross domestic product grew at better than 4 percent annually, Reynis said. "New Mexico was going nowhere. We were sitting on the sidelines. Was that Johnson? Was it a whole bunch of things that came together? I don't know. He certainly didn't provide leadership."

Richardson, on the other hand, "demonstrated some leadership in some important

areas. I won't say I always agreed with where he took things, but I think as a resident of New Mexico in some ways it was nice to have somebody on the top who was trying to come to grips with some big issues and take some stands and try and move the state in some directions."

"I think he was impatient with New Mexico," said Santa Fe attorney and lobbyist Gary Kilpatrick. "He wanted to do a lot. He would appoint task forces, and they would come back with recommendations that weren't bold enough. He took us out of our comfort zone sometimes because he was impatient. I think that was a good thing."

'Business friendly'

"The key to the Richardson vision is the fact the state has become much more business friendly," said state Economic Development Secretary Fred Mondragón. He offers a long list of supporting examples, among them:

- Incentives for film production that brought \$650 million into the state last year and produced employment for up to 4,000 people.
- State investment in venture capital funds that in turn invest in New Mexico companies.
- The Spaceport project that is starting to attract commercial space ventures, beyond the high-profile Virgin Galactic plan to launch space tourists.
- The fastest supercomputer in the nation that is available for commercial users.
- Incentives that have brought alternative energy companies to the state, with several more on the way.

Publishing mogul Steve Forbes, whose Forbes magazine declared Albuquerque one of the nation's best places to do business, told the Journal in a telephone interview while traveling in London that he became curious about Richardson because the governor "wanted to attract business to New Mexico and he was allegedly a Democrat."

Richardson's is "the kind of legacy I hope the incoming Obama administration will take to heart. Bill Richardson is a free trader. He has worked aggressively overseas putting out the welcome mat to business for New Mexico."

Getting out and about

Association of Commerce and Industry president Beverlee McClure lived in Clovis for eight years, became president of the local community college and was eventually named Richardson's higher education secretary. "We saw Gov. Richardson (in Clovis) more than any governor previous to that. There is a cheese plant now in Clovis, and the reason for that was Bill was willing to step in and meet with the decision makers of (Southwest Cheese Co.) and really close the deal for us. If you want to look at his legacy, there are people in Clovis now who are working because he cared about the rural areas."

Kilpatrick said he worked closely with the governor to help Louisiana Energy Services build a nuclear fuel plant near Eunice. The project "had serious environmental concerns. The governor recognized the value in terms of economic activity and jobs in the area. He also wanted to be sure there wasn't a trade-off that was harmful to the environment. He did a good job of creating a win-win situation there."

And HCSC, the Chicago company Richardson visited, expanded its Albuquerque operations, though it has so far not ventured into Las Cruces. Some of the failures are very high profile, especially Eclipse Aviation.

Eclipse settled in Albuquerque 10 years ago with a plan to produce low-cost, small jets for corporate fleets, hobbyists and air taxi services. Over time, the state loaned and invested

\$19 million in Eclipse, and the company eventually employed close to 2,000 people.

But Eclipse couldn't build the planes for the targeted cost and started laying off people. It sought bankruptcy court protection last month. The state expects to lose \$13 million on the deal and the 950 remaining employees may still lose their jobs if the new owner who is expected to take the company over next year moves it out of state.

There was Richardson's bid to land an NFL team and Tesla, which was to build electric cars in New Mexico but decamped to California (without costing the state money). There was Millennium Transit Services, which got a \$2 million state loan for a bus factory in Roswell, then filed for bankruptcy court protection. There was Bombardier Aerospace, a Canadian aircraft maker that solicited (but did not receive) state incentives to relocate here as a bargaining chip with its labor unions.

"Not every deal works," Mondragón said. "Not every technology works. There will be failures."

Due diligence

Reynis asks if the state is vetting some deals properly. "Some things we looked at, it seemed like the due diligence was missing," she said. Competitors with experience and deep pockets didn't try to create the kind of plane Eclipse proposed. "Could the state have done better diligence in terms of looking at that deal and seeing that the basic business plan was flawed?" Reynis asked.

On balance, said House Minority Leader Taylor, business has fared pretty well under Bill Richardson, though Taylor faults the state's regulatory environment for discouraging business, especially in the oil and gas industry.

"I always admired the tenacity with which he did the job," Taylor said. "I never saw anybody who worked so hard and worked his staff so hard to promote his vision."

In his statement nominating Richardson to be his commerce secretary, President-elect Barack Obama said, "I know Bill will be an unyielding advocate for American business and American jobs, at home and around the world." Richardson's supporters and detractors, if they agree on little else, can probably agree on that.