

RICHARDSON'S RUN FOR THE PRESIDENCY **ECONOMY**

Jobs and reality



Photos by Karl Stolleis/The New Mexican

Mark Sheets, a grip on the Oxygen Network production of *Husband for Hire*, carries a light screen to the set while on location Friday in Albuquerque. The Santa Fe native returned to the state after years away to find a job in the growing film industry.

The governor touts his role in creating employment, but debate rages about the quality of those jobs and where the credit lies

By Steve Terrell
The New Mexican

Eighty thousand jobs.

It's one of Gov. Bill Richardson's many talking points as he travels the country and campaigns for president. He repeats the number any chance he gets, usually mentioning tax cuts he backed in this state and other economic policies.

"I've been a governor, I've created 80,000 jobs ..." he told *Meet the Press* interviewer Tim Russert last month. "New Mexico's economy is in good shape because of some of the policies we've taken."

In Washington, D.C., in January, Richardson told the Democratic National Committee, "To create all those jobs, we first passed a specific tax credit for creating good-paying jobs. We made the rural jobs tax credit permanent, enacted a three-year tax holiday for high-tech start-ups and invested state money in local companies that showed great promise for success and job creation."

Although 80,000 new jobs might be a slight exaggeration on the governor's part, nobody can deny there has been job growth and low unemployment in the state since Richardson took office in 2002.

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Gov. Bill Richardson says his economic policies have helped bring work to the state, including jobs at Eclipse Aviation in Albuquerque.

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Despite the growth in new jobs, the state in 2005 had the fourth highest poverty rate with 18.5 percent living below the poverty line

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Mark Boyd, an analyst with the state Department of Labor, says in recent months, New Mexico's unemployment rate has been the lowest since the state started keeping statistics in the mid-1970s. And the job-growth rate last year jumped to its highest level in more than a decade.

But while Richardson touts the job numbers, there is some debate about what's behind them, including the quality of some of those jobs and where the credit lies.

New Mexico's fortunes are linked in part to the health of a complex national economy, one that Republicans in Washington, D.C., brag is doing relatively well. And skeptics on the left and the right, even some members of his administration, say Richardson has been lucky to be in charge in New Mexico during a boom time for the oil-and-gas economy — which has translated into big revenues for the state, as well as jobs.

"The difficult part is determining how many of those jobs did his policies enable and how many would have come anyway," Boyd said. "He's doing what all politicians do, taking credit for everything."

Some critics, meanwhile, say some of the jobs that government did help create came at a price.

Open for business

When Richardson took office in 2003, one of the first catch phrases to come out of the Capitol's Fourth Floor was "New Mexico is open for business." He has stressed he is the kind of Democrat who is "business friendly." He has traveled around the country aggressively courting industry and even traveled to other nations seeking possible export markets for New Mexico companies.

"Creating jobs has been a top priority for Gov. Richardson since Day One," said Rick Homans, who was Economic Development Department secretary from the start of the Richardson administration until earlier this year. "He and the Legislature really changed the playing field in 2003, when they lowered the personal income tax and the capital gains tax and established the high-wage tax credit."

Homans said the administration has pushed to help small companies expand and has been quick in responding to setbacks, such as a large employer going out of business.

When Intel last month announced plans to cut some 1,000 jobs at its Rio Rancho Plant, for example, Richardson created a "rapid response team" to help the laid-off employees find new jobs.

In an early Richardson campaign video called *The New Mexico Comeback*, several state business leaders, including successful heads of Albuquerque companies such as Eclipse Aviation and Advent Solar, gave short testimonials to Richardson's economic policies. "It's these tax polices and economic development programs, just put into place, that have really enabled us to get this program going quickly," Rusty Schmitt, president and chief executive



Gov. Bill Richardson cites jobs at Eclipse Aviation in Albuquerque as proof that his economic polices are working.

Photos by Karl Stolleis/The New Mexican

officer of Advent Solar, said on the video.

Taking credit

When Richardson talks about the job-growth numbers, he cites his polices on tax incentives, state investments in companies, focusing on industries like alternative energy, aviation and movies.

But are those policies responsible for the growth in employment here?

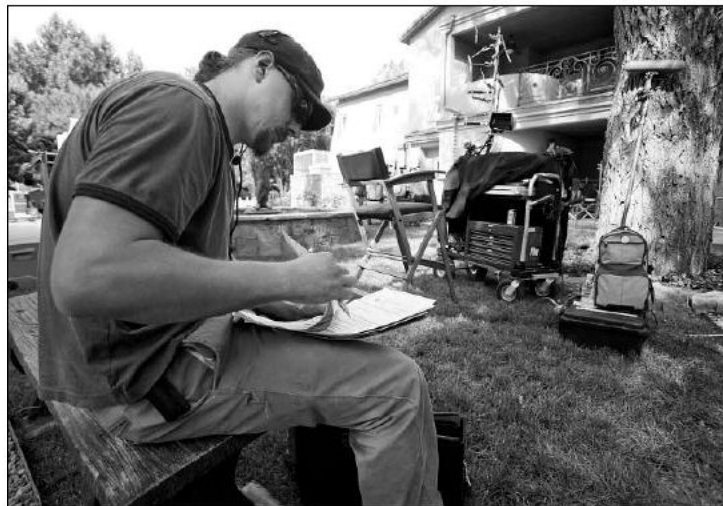
"That's a little bit of a stretch," said Lawrence Waldman, a senior economist with UNM's Bureau of Business and Economic Research, when asked about Richardson's campaign claims. "Part of it was a good national economy. The economy has been growing on its own."

Paul Gessing of the conservative Rio Grande Foundation is even harsher on Richardson's claims, saying, "No politician can take credit for what's happening here." High prices for oil and natural gas, Gessing said, is one of the reasons for more jobs in a small state that has long benefited from being a source of fossil fuels.

"The true impact of Richardson's policies might not be known until he's out of office," Gessing said. "When oil and gas prices decline, the government has grown so much, New Mexico could be in for a serious downturn."

Boyd, the Department of Labor analyst, agrees that the energy sector has, indeed, been a major cause of the economic upswing. "Amazing things are happening in Lea County," he said. "There's the new uranium facility. There's a new power plant being built. That power plant is the result of the oil and gas industry. There's a demand there for new power. Oil and gas have sustained higher prices, and it appears the price will never go down."

Besides political conservatives like Gessing, there are also more liberal-leaning skeptics of Richardson's campaign claims about jobs. Gerald Bradley is a former economist for the state who now works as research



Albuquerque native Jon Baran, left, tends to paperwork in his job as a set production assistant on the Oxygen Network original production of *Husband for Hire*, currently filming on location in Albuquerque. Baran, who studied film at Central New Mexico College, says he's happy about the film industry boom.

director of an advocacy group called New Mexico Voices for Children.

"We don't think that reductions in the personal income tax rate have helped to create jobs," Bradley said in an interview earlier this year.

But Bradley acknowledged there are some administration programs that have helped add to payrolls.

"The state's Job Training Incentive Program helps create jobs," he said, referring to a state program where the state helps pay the costs of training workers in newly created positions. "Interest-free loans to film companies helps. Spending money on highway construction creates jobs."

But Bradley says such jobs come at a cost.

Price of job growth

"Every year, New Mexico grants hundreds of millions of dollars in tax cuts, credits and incentives (called 'expenditures') to the business community with the expectation that jobs will be created," according to the New Mexico Voices for Children Web site. "But nobody knows exactly how much money is lost to the state budget each year because of these policies, nor does anyone know what, if anything, we gain

economically."

Bradley said his organization favors economic development. "We just want to do it intelligently," he said.

Richardson's tax cuts for upper-income earners were "a waste of money," Bradley contends. "It costs \$400 million a year."

Gessing disagreed, saying his foundation applauds Richardson's cuts in personal income tax rates and capital gains tax, long a part of the Republican agenda before Richardson pushed them through the Democrat-controlled state Legislature.

But, he noted, "Some of these tax cuts were offset by increases in tax and fees."

Bradley said he supports some of Richardson's initiatives, such as the Job Training Incentive Program, which subsidizes 50 to 70 percent of new employees' salaries at qualifying companies. The administration requested, and the Legislature approved, \$8 million for the program this year. Bradley said the program's annual budget should be \$20 million.

Bradley also said Voices for Children supported the working-families tax credit, which gives about 200,000 families state income tax credits averaging \$144.

Gessing said using aggressive tax credits to attract businesses

can be effective in some cases. "Has having Intel here been positive? Sure," he said. "But instead of giving everything away to an outside company to encourage companies to grow and prosper from within." A better way to build an economy is to have low tax and limited regulations policies to encourage economic growth.

Gessing argued that some of the accomplishments Richardson touts — his incentives to the film industry and government efforts to develop a spaceport in Southern New Mexico — are questionable.

"Politicians get stars in their eyes — literally," he said. "It feels good to have Jessica Simpson come to Albuquerque, but it would be better to work for long-term economic growth. The tax incentives are fine, but the state investing money in projects and hoping for a payoff if it's the next Oscar winner is playing politics with taxpayer money."

Boyd of the Labor Department said he can't say whether investing in films is worth the risk.

But he said not only has the film industry become one of the fastest-growing sectors in the state, but wages are also increasing.

"In past years, we saw a lot of the new film jobs being low-pay. A lot of those were for extras. But more recent data shows higher-paying jobs. There are more producers and other high-wage jobs being reported in the film industry here."

Sometimes, Bradley argues, simple job-growth numbers don't give a complete picture.

Not all jobs equal

"New Mexico's economy is creating jobs at a brisk pace. However, these continue to be disproportionately low-paying jobs," said a September 2006 report by Bradley's group titled "The State of Working New Mexico."

The report said more than a third of the new jobs projected

to be created in New Mexico in the next few years are low-wage.

The good news is that, the year before, another report by the organization said more than half the projected new jobs were low-wage.

For at least the past two years, New Mexico Voices for Children found, New Mexico has had a larger proportion of its work force earning minimum wage than any other state in the nation.

According to the latest available statistics from the Department of Labor, in 2006 the mean wage paid was \$33,262. That's up from \$30,468 in 2003, Richardson's first year in office. Labor Department statistics show average weekly wages have risen by about \$66 a week, from December 2002 to September 2006.

While lots of people are working, a good number of New Mexicans are staying poor.

Although the state has the 12th lowest unemployment rate, in 2005 New Mexico had the fourth highest poverty rate with 18.5 percent of the population living below the poverty line.

Labor Department spokesman Carlos Castaneda said it's true that many of the jobs created in recent years have been at the lower end of the pay scale, but he said at least some of those paychecks are the result of new higher-wage jobs. "One professional job at \$65,000 creates something like 1.8 jobs in the service sector," he said.

Homans, who currently is executive director for the agency trying to develop the Southern New Mexico spaceport, said the administration's policies have proven successful in increasing manufacturing jobs, helping to generate the low unemployment rate and "real stories of business success" all over the state.

"Clearly there's a lot of work to be done," he said. "There are pockets of the state that aren't doing as well as others."

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