



EDD

ECONOMIC
DEVELOPMENT
DEPARTMENT

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EDD Statement on LEDA Funding

SANTA FE, N.M. – The New Mexico Economic Development Department (EDD) released the following statement in response to recent reporting about the LEDA (Local Economic Development Act) funding.

The Legislative Finance Committee (LFC) reported that of the 101 LEDA projects under evaluation from 2016 through 2021, 33 of those projects did not meet the job requirements. This misled some readers to think that companies are holding onto taxpayer funding and did not create any jobs, and in fact one headline read “Some companies given LEDA funds failed to create jobs.” This interpretation is a significant distortion of the facts.

Of the 33 projects, **two-thirds** are projects from the prior administration – only **11** are from this administration. Of these 11, **eight do not have any taxpayer funding** – they had a 100% clawback or reversion. The other three companies are still open in New Mexico.

Two of these three projects had job numbers impacted by COVID but are in good standing, still growing, adding to the economy and working to meet their job targets. The third is still open, but EDD is in the process of seeking clawbacks. It is critical to note that **in every one of these 11 cases where a company has not created jobs, we have gotten 100% of the money back or are working to do so.**

For those companies that have created jobs but not yet hit their targets, we do not want to punish these New Mexico businesses by taking money back when they are currently providing good quality jobs for our residents and actively working to hire more people. We want to give them more time to succeed and hit these job targets. Some of these are family-owned businesses, in communities across the state, facing the same hiring challenges we all are.

This is exactly why the Legislature gave us the authority to make the determination on a project-by-project basis of whether to claw back funds if targets are not met within the specified timeframe. Statute allows that we **may, but not shall**, pursue clawbacks because pulling back funds from companies that are creating jobs, adding to the local and state economy and just need more time to reach their targets could result in unnecessary layoffs or shutdowns.

Our mission is to help companies create jobs, not punish them and make it harder to survive and succeed if they miss targets that seemed reasonable and achievable when they

were set years ago in an easier labor market.

The remaining 22 projects from the prior administration are similar, with either a 100% clawback, reduced LEDA award and closed as complete, or still active and adding to the economy.

The current administration has taken the approach of disbursing funds in multiple tranches upon certain milestones being met and not providing all LEDA funds upfront. This approach supports actual economic impact from the projects prior to taxpayer money going out. We still meet all of the statutory requirements, including holding security equal to the grant award as the money goes out, and that security is held until the parameters of the project participation agreement (contract) are met.

Finally, it is important to note the LFC report recognized the significant progress EDD has made to the structure, reporting and accountability of our LEDA program, including new annual reporting beginning this year that shows the incredible returns LEDA has generated for the state and taxpayers. ***The state return on investment (ROI) is 315% for active LEDA projects, and the total public ROI is 844%*** once you include the returns to local governments.

We have made significant improvements to LEDA, but we know the processes and reporting are not perfect and can be made better. We appreciate the collaboration with LFC and their recommendations to build on our progress, but at the same time we need to make sure the public gets a complete picture of the results. Our businesses that are participating in LEDA deserve recognition for creating thousands of good quality jobs, generating \$168.8 million in state tax revenue above and beyond what they receive through LEDA and other tax incentives, and adding billions of dollars to the local economy. This is a great program that benefits the people of New Mexico and in the end costs them less than nothing.

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EDD's mission is *to improve the lives of New Mexico families by increasing economic opportunities and providing a place for businesses to thrive*. EDD's programs contribute directly to this mission by training our workforce, providing infrastructure that supports business growth, and helping *every community* create a thriving economy. Since January 1, 2019, EDD has supported more than 14,000 new jobs and trained 9,401 New Mexicans for better pay. EDD has utilized LEDA to make investments in 56 businesses, supporting more than 8,600 new jobs at an average wage of \$65,748, \$570 million in annual payroll, \$7.2 billion in new capital investment, and a ten-year economic impact of \$34+ billion. Forty communities across 22 counties have benefited from EDD programs.

New Mexico Economic Development Department
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