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AN ASSESSMENT OF THE SAN MIGUEL COUNTY ECONOMY

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EXECUTIVE SUMMARY

Demographic and educational patterns

- The growth of the San Miguel County population has lagged behind the rate for the state of New Mexico, and this pattern is projected to continue during the coming years. The slow growth of the population is reflected in the ‘graying’ of the population. About three-quarters of the county’s population is Hispanic, and about one-half of the county’s population lives in the city of Las Vegas. However, recent trends are characterized by a slightly more rapid growth of the population outside of Las Vegas, particularly of the non-Hispanic population.
- The slow growth and graying of San Miguel County’s population will continue to put significant pressure on the labor force and economic growth. Most notably, the small number of those in the early stages of their careers and the failure to retain recent college graduates put the region at a disadvantage as technical change and innovation emerge the central factors in increased productivity.
- The share of the county’s working age population of San Miguel County that participates in the labor force is extremely low – 65% compared to 75% for the state. There may be many reasons for this: a high level of employment outside of documented labor markets; traditional roles within Hispanic families; and limited employment opportunities, particularly for those with limited education, resulting in a large number of ‘discouraged workers’ who leave the active labor force rolls.

Incomes:

- Incomes in San Miguel County are about 20 percent lower than in other parts of the state. Rates of poverty are correspondingly high. The lower income levels can be explained by several factors:
- The graying of the local population means that relatively fewer are employed, and instead depend relatively more on income support payments and retirement programs, which are typically lower than employment-based incomes.
- Employees who reside in San Miguel County, most of whom work locally, receive wages that are about 15 percent below the average. With the available data, it is not possible to determine whether lower earnings are a result of employment in jobs that require lower skill levels or workers residing in San Miguel County receive lower wages for comparable employment. Both are likely factors, and both can be explained by general characteristics of employment in smaller, rather than larger metropolitan communities.

Housing

- Although the housing stock in San Miguel County is somewhat older than in other parts of the state, there is no shortage of housing in the county. More than one-quarter of all available housing units are vacant or underutilized.
- Housing values are very low in San Miguel County, and homeownership rates are relatively high. Despite low home values, housing affordability remains a problem for both homeowners and renters because of very low-income levels.

Employment

- In 2007, there were about 10,300 jobs in San Miguel County, with the greatest concentrations in education (20%), public administration (19%), health care and social assistance (12%), and retail (10%).
- Since 2002, employment has been flat, with jobs gains in administrative services (e.g. temporary employment agencies), health care, accommodations, and public administration offset by large losses in retail and more modest losses in food services.
- The losses have been concentrated in Las Vegas, while areas outside of the city had experienced modest gains.

Gross Receipts

- Taxable gross receipts plus food and medical deductions in San Miguel County average about \$370 million per year. They have been very stable in real terms, though they were down in 2009.
- BBER estimates that on a net basis San Miguel County-based businesses retain about 67 percent of the expenditures of county residents; and thus about one-third of expected revenues, totaling about \$185 million, flow out of county each year.
- Although city's residents earn less than one-half of the total income of countywide total, Las Vegas-based businesses account about 80% of the county's gross receipts,. BBER's analysis indicates that the strength of Las Vegas-based businesses is due to its success in capturing expenditures of county-based residents. However, both city and the rest of the county run very significant revenues deficits with respect to the rest of the world.

Markets and competitiveness

- The foundation of San Miguel County's economy is as a regional center for retail and a wide range of services, including health care, social assistance, education, support services, wholesale trade, and information. But shift-share analysis suggests that county's success in these markets is due less to its productivity

than to a lack of competition in its immediate market area (especially the six counties in northeastern New Mexico).

- However, the county's regional strength does not necessarily translate into particular advantage in markets beyond the region. For example, hospitality industries is a sector in which the region as a whole does well, but San Miguel County position within this region-wide industry has been slipping while other counties (particularly Colfax) have gained an advantage.

Conclusions

- Historically, San Miguel County has benefitted from three factors: a strong public sector, which has provided stable jobs and decent wages; a near dominant position in the northeastern New Mexico regional market; and a strong identity and sense of place that contributed to a stable economic environment. Families had a clear sense of how they were meet to their obligations and prepare for their future, and the strong social web served as a safety net against short-term economic fluctuations.
- However, what were historically the county's main advantages are emerging to best its greatest liabilities. Fiscal basis of public employment is in long-term decline; the county's principal market is experiencing what may also be a long-term decline in its population; and the graying of the population and in particular of the loss of better-educated young adults are resulting in a thinner, less skilled labor force.

Recommendations

- To be successful any long-term economic plan in San Miguel County must have two elements – the creation of decent-paying jobs through the development of export-oriented industries with markets that extend beyond its immediate region; and the retention of skilled labor, especially young, educated residents.
- Each of the two objectives should be addressed with short-term, middle-term and long-term strategies.
- Jobs: plugging leakages can help in the short-term, but it is not the basis of lasting growth; recruitment and development of industries that draw on larger markets (alternative energy, health care and retirement services, tourism and recreation) is a middle-term strategy that can have a lasting impact; and longer term growth strategies should center on development of homegrown businesses which draw on the region's unique assets (education, history and culture).
- Labor force: the county has significant advantages, certainly compared to many small communities in New Mexico and elsewhere: it has wealth of educational resources, a 'sense of place' and recreational, historical and cultural opportunities attractive to young people; proximity to Santa Fe and Albuquerque. These advantages should be exploited.

1. INTRODUCTION

This report provides a comprehensive survey of the economy of San Miguel County. The principal objective is to explain and address the persistence of low incomes in San Miguel County. To state the obvious, the low level of household incomes in San Miguel County is the result of the shortage of high paying jobs in the county. This affects incomes in two ways – low wage employment results in low incomes for those with jobs, and the lack of high wage jobs encourages many qualified working age adults to seek employment elsewhere, leaving behind a disproportionate number of less qualified workers and elderly adults.

The question is thus: why does San Miguel County lack high paying jobs and what can be done to create more of them? The standard account is that a community is able to demand high wages when it has a sustainable comparative advantage relative to other locations. In other words, wages are high when a community has something others want but cannot easily find elsewhere. In its earlier history, San Miguel County, and Las Vegas in particular, offered access by railroad to a variety of raw materials and agricultural products. With the establishment of Albuquerque as the state's main transportation hub, San Miguel County community lost its initial advantage, and has since been unable to identify a new advantage upon which to ground economic development. The purpose and structure of this report is to work toward the identification of such an advantage with the use of a number of tools that focus on the demographic, industrial and locational characteristics of the economy of San Miguel County. Specifically, this report addresses the following questions:

- What are the demographic characteristics of the population and labor force, and what industries, jobs and resources does San Miguel County have in the greatest concentration?
- What industries have been most effective in trading to other areas, drawing revenues and jobs into the local economy? What industries have been least effective, allowing the leakage of revenues and jobs from the local economy?
- What are the economic patterns among communities within San Miguel County?
- How has the mix of industries and jobs and the pattern of trade changed during recent years, and what factors may explain these changes?

This survey begins with a description of the demographic characteristics of the population, including age, ethnicity, education and mobility. Next, we summarize household income patterns, including income distribution, poverty levels, sources of income and wages and salaries. In the third section we review the availability, cost and affordability of housing, which accounts for a large share of household expenditures and is an important factor in the recruitment and retention of employers and employees.

After this review of the economy from the perspective of households, we turn to a detailed analysis of the broader structure of the economy of San Miguel County. First, we provide an overview of the economy with a description of businesses, employment and sales by industry. Particular focus is given to the identification of industries that have experienced growth and decline during recent years. This overview provides details according to geographical sub-area – the towns of Las Vegas and Pecos, and remaining parts of the county.

The second section focuses on ‘trade’ relations, or the flow of revenues, both between San Miguel county and other areas and among the communities within San Miguel County. This involves a detailed analysis of gross receipts data, including pull-factor analysis, to identify economic sectors that are able to draw revenues in to the county and that allow revenue to leak from the economy.

In the third section of the economic analysis we use locational quotients and shift-share analysis to compare the economic structure of San Miguel County with that of other areas. In particular, we examine performance and changes in the structure of the local economy and attempt to explain these changes in terms of the strengths and weaknesses of the local economy relative to areas with which it competes.

Following the analysis of the economy, the report provides an overall assessment and general recommendations for economic development officials working in San Miguel County. The core recommendations are that county must work simultaneously to create higher paying jobs and to develop and retain a more youthful, qualified labor force. These two aspects are intricately linked; each is essential to the other. To achieve these goals, the county must address three factors that, though once foundations of the local economy, now appear to be its main constraints.

- The economy of San Miguel County is far too dependent on public sector employment. While are by most standards these good jobs, the problem is that the county has little history of private job creation and may find it difficult to respond to what are almost certain very different economic conditions in the future.
- The economy is likewise far too dependent on retail and mid-level service industries for which the counties of northeast New Mexico are the near exclusive market. Data in this report show that growth in this primary market area is very limited, if not negative, and this is unlikely to be reversed in the foreseeable future. San Miguel County must find ways to diversify its economy beyond retail and basic services, and extend its markets beyond neighboring counties.
- San Miguel County faces an accelerating shift in the age and ethnic structure of its population. The median age of the residential population is considerably older than that of the state, its labor is aging, and too few young well-qualified are available to replace those reaching the end of their careers.

To address these constraints, San Miguel County should establish, as a short term goal, to limit revenue leakages in order to shore up public finances; as a medium term goal, to recruit and develop industries capable of drawing new sources of revenues into the economy (such as alternative energy, health care, and hospitality); and, as a long term goal, to develop homegrown industries that draw upon the region's distinctive history, culture and resources, and that contribute to the development of a more vibrant community attractive to younger generations (e.g. craft manufacturing, including wood production industries, and arts and cultural industries).

2. POPULATION DEMOGRAPHICS

Population Growth

San Miguel County played an important role in the early economic history of the state of New Mexico. With the arrival of the railroad in 1880, the county's principal city of Las Vegas emerged as a key hub for the trade and transportation of the agricultural production of the plains of northeastern New Mexico. As shown in **Table 2A**, at the time of the first Census count of New Mexico in 1910, the population of San Miguel County was nearly 23 thousand, or about 7 percent of the state's total population, and only slightly less than that of Bernalillo County, the state's most populous county. However, as the economy of the state moved away from agriculture and the economic center shifted to the Middle Rio Grande region, the growth of the population of San Miguel County slowed and later began to decline in the 1940s. By 1980, the population of the county was less than the 1910 total and accounted for only 1.7 percent of the state's entire population. Since 1980, the population of San Miguel County has been buoyed by the more general pattern of migration to the southwestern United States and the growth of New Mexico in particular. According to BBER estimates, the population of San Miguel County in 2005 was 30,719 – up about 25 percent compared to 1980.

TABLE 2A: HISTORICAL AND PROJECTED POPULATION ESTIMATES FOR THE STATE OF NEW MEXICO AND SAN MIGUEL COUNTY

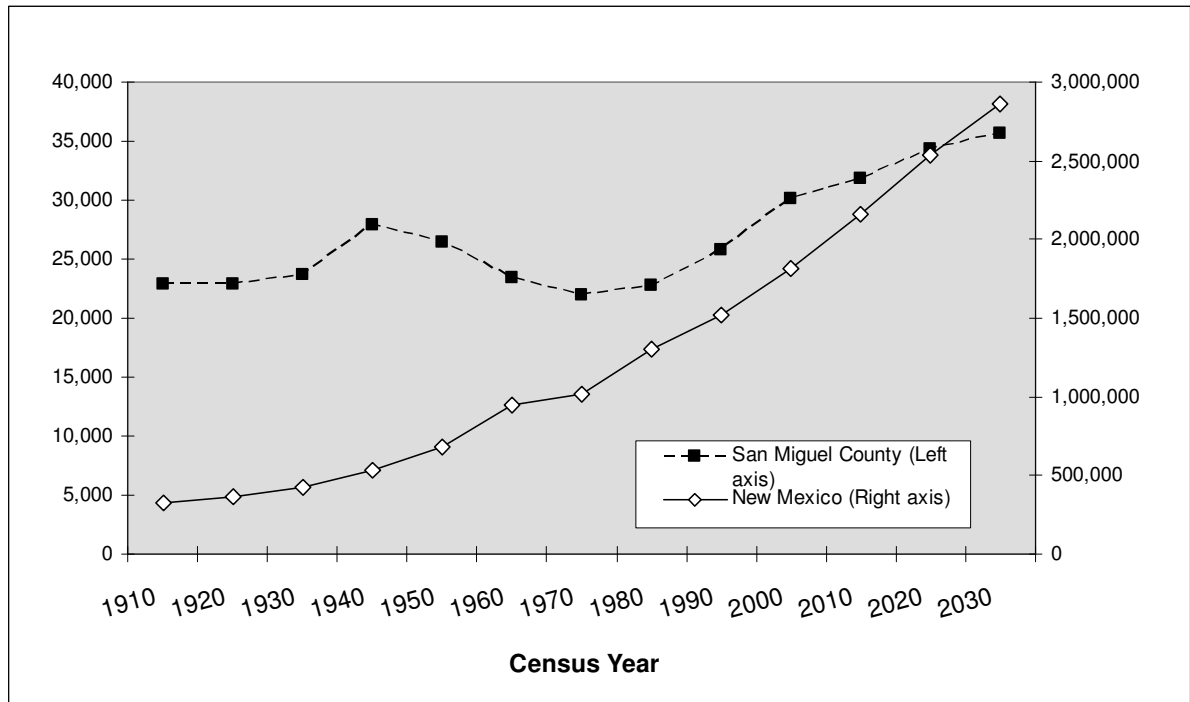
	New Mexico	San Miguel County	Share (%)
1910	327,301	22,930	7.0%
1920	360,350	22,867	6.3%
1930	423,317	23,636	5.6%
1940	531,818	27,910	5.2%
1950	681,187	26,512	3.9%
1960	951,023	23,468	2.5%
1970	1,017,055	21,951	2.2%
1980	1,303,303	22,751	1.7%
1990	1,515,069	25,743	1.7%
2000	1,819,046	30,126	1.7%
2005	1,969,292	30,719	1.6%
2010	2,162,331	31,827	1.5%
2015	2,356,236	33,137	1.4%
2020	2,540,145	34,284	1.3%
2025	2,707,757	35,067	1.3%
2030	2,864,796	35,677	1.2%
2035	3,018,289	36,337	1.2%

Source: New Mexico County Population Projections July 1, 2005 to July 1, 2035, Bureau of Business and Economic Research, University of New Mexico. Released August 2008.

According to projections by BBER's Population Estimates and Projections group the demographic outlook for San Miguel County is for a slowing in the rate of population growth, and a continued slow decline in the county's share of the state's total population (**Figure 2A**). However, and notably, these projections do not anticipate the absolute decline in the population that is occurring in and projected to continue in counties further to the northeast in New Mexico. During the period 2010-2035, BBER anticipates that the population of San Miguel County will grow by about 15 percent to 36,337, well below the anticipated 40 percent growth of the population of the state.

On a more local level, recent historical data and projections suggest very different scenarios in the city of Las Vegas and other areas of the county. During the period 1990-2000, the most recent period for which actual count data is available, the population of the city of Las Vegas was essentially unchanged, while the population of remaining areas of the county grew by nearly 40 percent, resulting in a county-wide increase of 17 percent. In other terms, in 1990 the population of Las Vegas accounted for about 57 percent of the county total; by 2000 a minority of 48 percent of San Miguel County lived in Las Vegas. According to preliminary BBER estimates, this trend, in which a declining share of the population of the county lives in Las Vegas (or a growing share lives outside of Las Vegas), is expected to continue over the next two decades.

FIGURE 2A: HISTORICAL AND PROJECTED POPULATION ESTIMATES FOR SAN MIGUEL COUNTY AND THE STATE OF NEW MEXICO



Source: New Mexico county Population Projections July 1, 2005 to July 1, 2035, Bureau of Business and Economic Research, University of New Mexico. Released August 2008.

Ethnicity and Age

Table 2B shows BBER population estimates for San Miguel County by age and ethnicity for 2008. **Table 2C** shows the same data in percentage terms. For comparison, **Table 2D** shows age and ethnicity distributions for the state of New Mexico.

As the data in these tables show, more than three-quarters of the population of San Miguel County is Hispanic, compared to 45 percent of New Mexico's population. Only 20 percent of San Miguel County's population is white non-Hispanic and only three percent is non-Hispanic of other races (including Native American), compared to 42 percent and 13 percent, respectively, for the state.

TABLE 2B: SAN MIGUEL COUNTY POPULATION ESTIMATES FOR JULY 1, 2008, BY AGE AND ETHNICITY

Age Cohort	Hispanic (of any race)	White Non- Hispanic	Black Non- Hispanic	Native American Non- Hispanic	Other Non- Hispanic	TOTAL
<5	1,507	190	16	27	18	1,758
5-14 yo	2,772	442	22	36	51	3,323
15-24 yo	3,899	731	69	108	81	4,888
25-34 yo	2,484	611	36	59	64	3,254
35-44 yo	2,666	612	30	34	34	3,376
45-54 yo	3,257	900	26	37	42	4,262
55-64 yo	2,350	1,055	9	32	34	3,480
65-84yo	2,584	959	11	20	41	3,615
>85	447	144	2	5	1	599
TOTAL	21,966	5,644	221	358	366	28,555

Source: New Mexico county Population Projections July 1, 2005 to July 1, 2035, Bureau of Business and Economic Research, University of New Mexico. Released August 2008.

However, behind these numbers is evidence of gradual changes in the ethnic composition of the county's population. In 1990, 80 percent of the total population of the county was Hispanic (of any race); in 2000, Hispanics accounted for 78 percent of the total population, and in 2008, as noted, BBER estimates that Hispanics were 77 percent of the county population. Although local geographical detail is not available for 2008, it appears that the relative decline in the Hispanic population is partially due to geographical changes unfolding in the county. Specifically, during the 1990-2000 period, when the total population of San Miguel County grew by 17 percent, the number of non-Hispanics living outside Las Vegas grew by 49 percent, while the number of Hispanics living in Las Vegas fell very slightly. In other terms, nearly one-third of the net population growth of the county during the ten year period was constituted by the increase in the number of non-Hispanics living outside Las Vegas –1,357 of a net increase of 4,383.

Table 2C presents data on the age structure of San Miguel County's population, with New Mexico for comparison. In general, the age of the county's population is significantly older than that of the State, with a median age of 38.8 years old, compared to 35.8 years old for New Mexico. The county has a smaller share of children of school age (5.9 percent versus 7.5 percent); a smaller share of the population of prime working age (25-54 years), and a significantly larger population 55 years and older (14.8 percent versus 12.1 percent).

TABLE 2C: ESTIMATED DISTRIBUTION OF THE POPULATION OF SAN MIGUEL COUNTY AND NEW MEXICO, BY AGE, FOR JULY 1, 2008

	San Miguel County	New Mexico
Median Age	35.8	38.8
<5	6.2%	7.5%
5-14 yo	11.6%	13.5%
15-24 yo	17.1%	14.6%
25-34 yo	11.4%	13.5%
35-44 yo	11.8%	12.6%
45-54 yo	14.9%	14.0%
55-64 yo	12.2%	11.3%
65-84yo	12.7%	11.3%
>85	2.1%	1.8%
TOTAL	100%	100%

Source: Median age U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-01002; age distribution: New Mexico county Population Projections July 1, 2005 to July 1, 2035, Bureau of Business and Economic Research, University of New Mexico. Released August 2008.

The age distribution raises a number of concerns for economic development. First, the small number of school aged children both tends to drive up the costs of education on a per pupil basis and makes longer term planning more uncertain. Also, the small number of children portends a smaller work force in the future. Second, the relatively large size of the senior population puts additional pressure on the overall population, as the time and resources of individuals and institutions must be dedicated to their care with relatively little benefit in strictly economic terms. Third, the relatively small size of the workforce age population constrains the growth of the local economy, and the small number of children suggests that this trend is likely to continue. Finally, not only is the workforce small, it is relatively old. As the table shows, the percentage of the population between the ages of 25 and 45 years old – people with a long career ahead of them – is much smaller than the corresponding share for the state as whole. Conversely, the share of the population in the latter half of their working age, from 45 to 64 years old, is larger than the state share.

Another troubling element of the workforce demography of the region is evidence of the apparent inability of the county to retain its relatively large and well educated cohort of recent graduates. In San Miguel County, the population of those aged 15-24 years account for 17.1 percent of the county total, compared to just 14.6 percent for the state. This is no doubt explained by the presence of New Mexico Highlands

University, Luna Community College and United World College. However, among those of the age of recent college graduates, the county falls well below the state, with only 11.5 percent of its population between 25-34 years, compared to 13.5 percent for the state. Clearly, recent graduates are leaving the county. This is a missed opportunity. In light of changes in workplace practices, as well as the increasing importance of technical change and innovation to productivity in the contemporary economy, the failure to retain and incorporate younger workers and increasing reliance on older workers puts the region at a significant competitive disadvantage. Retaining a larger share of the college graduates, particularly those originally from the region, should be a focus of attention of the economic development community.

Educational Attainment and Workforce Characteristics

Table 2D shows levels of educational attainment for those 25 years of age and older in San Miguel County and, for comparison, the State of New Mexico. These data further document the patterns anticipated in the previous discussion of demographics. In San Miguel County, a disproportionately large share of the population lacks a high school diploma compared to the state; the share of high school graduates is on par with the state; the share of those with post-secondary education, including a Bachelor's degree, is below that of the state; but, finally, the share of those with a post-graduate degree is slightly greater than that of the state. The number of those with advanced degrees clearly reflects the importance of a cluster of employers requiring this level of expertise. These include New Mexico Highlands University, Luna Community College, and the Alta Vista Regional Hospital, among others.

TABLE 2D: EDUCATIONAL ATTAINMENT FOR THE POPULATION 25 YEARS OF AGE AND OVER, SAN MIGUEL COUNTY AND NEW MEXICO†

	San Miguel County	New Mexico	
None	187	1%	1%
Nursery-8th Grade	1,389	7%	7%
High School, no diploma	2,521	14%	10%
High School graduate	5,098	27%	27%
Some college	3,938	21%	22%
Associate's degree	913	5%	7%
Bachelor's degree	2,508	13%	14%
Master's degree	1,646	9%	7%
Professional school degree	253	1%	2%
Doctorate degree	196	1%	2%
All Persons 25 Years and Over	18,649	100%	100%

† Average for the 2006-2008 period.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-15002.

Table 2E shows the employment status (employed or unemployed in the civilian labor force, and not in the labor force) of those 25 to 64 years of age.¹ This table is rather dense and requires some clarification. For each of the four levels of educational attainment, the first row shows the number in San Miguel County (in the 2nd column) and the share that educational cohort represents in relation to total population 25 to 64 years of age. The second and fifth rows under each educational level show the number and percentages of those ‘In civilian labor force’ and ‘Not in civilian labor force’; these numbers sum to the total in the first row.² Finally, the third and fourth rows, shaded gray, are the numbers and percentage of those employed and unemployed in the civilian labor force only; these numbers sum to the number of those participating in the labor force, and the percentages thus equal to the rates of employment and unemployment for those in the respective level of educational attainment.

The data in this table show at a high level of detail the importance of developing and retaining a well-educated workforce. Note, first, that at each level of educational attainment, labor force participation (‘In civilian labor force’) increases significantly. Note further that for each level of educational attainment, the unemployment rate of those participating in the labor force typically declines. At higher levels of educational attainment the change in the unemployment rate is minimal (or increases in the case of ‘some college’ to ‘Bachelors or higher’ in San Miguel County), but this is easily explained by the willingness of individuals to leave employment to seek a better job. Third, compared to the state, the overall labor force participation rate in San Miguel County is remarkably low – only 65 percent across all subcategories of educational attainment versus to 75 percent for the state. Indeed, persons are less likely to participate in the labor force in all educational subgroups, but especially among those with less than a high school degree (39 percent compared to 60 percent). This difference may reflect ‘discouraged workers’ as well as those who report non-participation in the labor force to surveyors but otherwise find employment outside of documented markets. Finally, note that the reported rate of unemployment in San Miguel County is somewhat higher than for the state as a whole (6.7 percent versus 5.1 percent³). Yet, again, the higher rate of unemployment is almost entirely reflective of the experiences of those with the lowest levels of education, and especially of those without a high school degree.

¹ Note that this table differs from the preceding table in that this includes only those 25-64 years of age. Thus, the total number in the table is lower by the number of those over the age of 64 years.

² Participation in the labor force includes those who are employed and those actively seeking employment according to standards established in surveys. Those not participating in the labor force include those who by choice or ability are not seeking employment, including ‘discouraged workers’.

³ These data are based on averages for the period 2006-2008, preceding or during the early period of the recession.

TABLE 2E: EMPLOYMENT STATUS BY LEVEL OF EDUCATIONAL ATTAINMENT FOR THE POPULATION 25-64 YEARS OF AGE, SAN MIGUEL COUNTY AND NEW MEXICO†

	San Miguel County	New Mexico	
Less than High School	2,248	15%	16%
In civilian Labor Force	873	38.8%	60.5%
<i>In Civilian Labor Force, Employed</i>	<i>690</i>	<i>79.0%</i>	<i>91.9%</i>
<i>In Civilian Labor Force, Unemployed</i>	<i>183</i>	<i>21.0%</i>	<i>8.1%</i>
NOT in civilian Labor Force	1,375	61.2%	39.5%
High School graduate	4,091	28%	28%
In civilian Labor Force	2,584	63.2%	72.0%
<i>In Civilian Labor Force, Employed</i>	<i>2,303</i>	<i>89.1%</i>	<i>92.7%</i>
<i>In Civilian Labor Force, Unemployed</i>	<i>281</i>	<i>10.9%</i>	<i>7.3%</i>
NOT in civilian Labor Force	1,507	36.8%	28.0%
Some College or Associates degree	4,398	30%	31%
In civilian Labor Force	3,021	68.7%	78.2%
<i>In Civilian Labor Force, Employed</i>	<i>2,977</i>	<i>98.5%</i>	<i>95.7%</i>
<i>In Civilian Labor Force, Unemployed</i>	<i>44</i>	<i>1.5%</i>	<i>4.3%</i>
NOT in civilian Labor Force	1,377	31.3%	21.8%
Bachelors degree or higher	3,860	26%	25%
In civilian Labor Force	2,968	76.9%	83.6%
<i>In Civilian Labor Force, Employed</i>	<i>2,846</i>	<i>95.9%</i>	<i>97.4%</i>
<i>In Civilian Labor Force, Unemployed</i>	<i>122</i>	<i>4.1%</i>	<i>2.6%</i>
NOT in civilian Labor Force	892	23.1%	16.4%
ALL EDUCATIONAL LEVELS	14,597	100%	100%
In civilian Labor Force	9,446	64.7%	75.1%
<i>In Civilian Labor Force, Employed</i>	<i>8,816</i>	<i>93.3%</i>	<i>94.9%</i>
<i>In Civilian Labor Force, Unemployed</i>	<i>630</i>	<i>6.7%</i>	<i>5.1%</i>
NOT in civilian Labor Force	5,151	35.3%	24.9%

† Average for the 2006-2008 period.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-23006.

Residential – Workplace Flows

According to data collected by the U.S. Census Bureau on county to county commuting patterns, about 15 percent of New Mexicans commute across county lines for work; thus, 85 percent work in their county of residence. However, because the number of jobs available in San Miguel County is less than the number of

persons in the workforce, county residents are much more likely to travel to places outside the county for work. The Census data shows that 26 percent of San Miguel County residents work outside the county; the majority of these individuals work in Santa Fe County. By contrast, jobs in San Miguel County are taken disproportionately by county residents; only 10 percent of jobs of local jobs are taken by workers residing outside the county.

This pattern is very much to the benefit of San Miguel County. In effect, those commuting to work outside the county are serving to bring income home. These incomes are then spent locally, on housing expenses, groceries and other everyday expenses. If there is a negative interpretation of this pattern, it is that there are too few jobs in the county to occupy the local labor force. The commuting patterns of residents do not create this problem. They are merely a response to an existing problem and, if anything, mitigate the problem by bringing in incomes that help to create new jobs.

To summarize the demographic and educational patterns and their impacts on labor force participation and employment in San Miguel, there are 3 principal findings:

- The growth of the San Miguel County population has lagged behind the overall rate for the state of New Mexico, and this pattern is projected to continue during the coming years. The slow growth of the population is reflected in the 'graying' of the population – the county has proportionately fewer children but many more elderly residents than the state as a whole. More than three-quarters of the county's population is Hispanic, and about half live in the city of Las Vegas. However, recent trends are characterized by a slightly more rapid growth of the population outside of Las Vegas, particularly of the non-Hispanic population.
- The slow growth and graying of San Miguel County's population will continue to put significant pressure on the labor force and economic growth. Most notably, the small number of those in the early stages of their careers and the failure to retain recent college graduates put the region at a disadvantage as more 'flexible' workforce and management practices are implemented and innovation and technical change emerge as more central factors in increased productivity.
- Compared to the state as a whole, a much larger share of the working age population of San Miguel County does not participate in the labor force. There may be many reasons for this: a high level of employment outside of documented labor markets; traditional roles within Hispanic households; and limited employment opportunities, particularly for those with limited education, resulting in a large number of 'discouraged workers' who leave the active labor force rolls. To some degree, this may be a matter of accounting, but, in general, non-participation both contributes to and reflects the limited number of economic opportunities in the county.

3. HOUSEHOLD AND PERSONAL INCOME

The discussion of income included in this section provides a survey of San Miguel County from the perspective of residents or households.

Income and Poverty

According to the U.S. Census Bureau's American Community Survey, per capita income in San Miguel County averaged \$18,487 during the 2006-2008 period. This figure is about 20 percent below the statewide average of \$22,781, and places the county 15th of the 19 counties with available data. The median household income – with half of the households earning more and half less – in San Miguel County during the same period was \$34,696. This is also about 20 percent below the statewide median household income of \$43,202. **Table 3A** provides additional detail on household incomes in the county in comparison to statewide patterns.

TABLE 3A: HOUSEHOLD INCOME IN THE PAST 12-MONTHS, SAN MIGUEL COUNTY AND THE STATE OF NEW MEXICO††

	San Miguel County		New Mexico
Median Household Income	\$34,696		\$43,202
<\$10k	1,360	13%	9%
\$10-19,999	1,977	18%	13%
\$20-29,999	1,741	16%	13%
\$30-39,999	984	9%	11%
\$40-59,999	1,731	16%	18%
\$60-99,999	2,034	19%	20%
\$100k+	991	9%	15%
All Households	10,818	100%	100%

†† Average for the 2006-2008 period; values in \$2008.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; median household income – Table B-19013; household income distribution – Table B-19001.

As this table shows, the differences between the county and state are greatest at the extremes. In San Miguel County, a greater percentage of households subsist on incomes below \$20,000 per year – 31 percent of households compared to 22 percent of households across the state. At the other extreme, only 9 percent of households in San Miguel County have incomes greater than \$100,000 per year, compared to 15 percent statewide.

The large number of households in San Miguel County with incomes below \$20,000 contributes to a high rate of poverty in the county. **Table 3B** shows poverty rates by age for San Miguel County and the state of New Mexico. The first column is the estimated number of persons within the age category living below the poverty line in

San Miguel County; the second column is the percentage of persons in poverty in each age category; and the final column is the corresponding value for the state.

In San Miguel County, 21 percent of all persons live in poverty, compared to 18 percent of all persons in the state. Poverty is relatively less prevalent in San Miguel County among children under five years old; a bit more common among older children; and much more prevalent among the elderly population.

TABLE 3B: POPULATION BELOW THE POVERTY LINE DURING THE PAST 12-MONTHS, BY AGE, SAN MIGUEL COUNTY AND NEW MEXICO†

	San Miguel County		New Mexico
<5	310	19%	29%
5-11 y/o	696	29%	25%
12-17 y/o	454	21%	21%
18-64 yo	3,305	19%	16%
65+ yo	904	23%	13%
All Persons in Poverty	5,669	21%	18%

† Average for the 2006-2008 period.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-17001.

Sources of Household Income

Table 3C provides information on the sources of income for households in San Miguel County and the state. This data may provide some insight into both the causes and the consequences of the patterns of poverty in San Miguel County. The deficits in San Miguel County, considered in relation to the state as a baseline, include:

- Only two-thirds of households in San Miguel County receive income from wages and salaries, well below the three-quarters that earn income from employment across the state. Self-employment does little to make up for this shortfall.⁴ These deficits are due mainly to the age structure of San Miguel County’s population – the share of the total population of working age is low compared to that of the state.
- Few households in San Miguel County receive income from investments (interest, dividends or net rental income) – only 9 percent compared to 21 percent for the entire state.

These deficits are offset by a number of income sources, including income support and retirement incomes:

⁴ Note that columns will not sum to 100 percent, as many households receive incomes from multiple sources.

- The share of San Miguel households that receive all categories of transfer payments is at least one and half times that of all state households – three percent receive public assistance, compared to two percent of the state households; 15 percent receive food stamps, compared to ten percent for the state; and ten percent receive supplemental security income, more than twice the statewide rate of four percent.
- The graying of the population is clearly reflected in the high number of households receiving various types of retirement income. In San Miguel County, 34 percent of households receive social security income, compared to 28 percent for the state; and 23 percent receive some other kind of retirement income (for example, pensions), compared to 19 percent of households across the state.

TABLE 3C: SOURCES OF HOUSEHOLD INCOME IN THE PAST 12 MONTHS, SAN MIGUEL COUNTY AND THE STATE OF NEW MEXICO†

	San Miguel County	New Mexico	
Wage or salary income	7,238	67%	75%
Self-employment income	1,243	11%	12%
Interest, dividends, or net rental income	1,005	9%	21%
Social Security income	3,641	34%	28%
Supplemental Security Income (SSI)	1,063	10%	4%
Public assistance income	321	3%	2%
Cash public assistance or Food Stamps	1,580	15%	10%
Retirement income	2,462	23%	19%
Other types of income	1,604	15%	12%

† Average for the 2006-2008 period.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Tables B-19051-19059.

Wages and Salaries

As might be expected, public income support programs and retirement incomes yield lower income levels than those earned through employment. However, in San Miguel County, the problem is compounded by the fact that wage rates for the working population residing in the county are also relatively low.⁵ **Table 3D** shows median earnings for selected occupations for workers residing in San Miguel County and throughout the state. For all occupations, median earnings in San Miguel County are \$29,951, 15 percent lower than the statewide level of \$35,439. This is true for most occupations included in the table. In occupations as diverse as business/financial, healthcare practitioner and related technical and transportation,

⁵ Note that all data reported in this section refers to incomes of residential households in San Miguel County. Thus, wages and salary incomes to households do not directly correlate with wages paid by local businesses as many residents of the county work outside the county.

earnings are only slightly more than half of those of others in the state. In large employment categories, including sales and office personnel, and production occupations, earnings are likewise low, from 20 to 30 percent below statewide averages. However, there are a few occupational categories, such as management, computer and mathematics, protective services (including police and firefighters) and construction where earnings are above the statewide average. There are no obvious patterns that explain the uneven earning differentials among occupations.

TABLE 3D: MEDIAN EARNINGS FOR SELECTED CIVILIAN OCCUPATIONS, SAN MIGUEL COUNTY AND NEW MEXICO††

	San Miguel County	New Mexico	San Miguel County / NM
Management occupations	\$59,669	\$53,394	112%
Business and financial operations	\$27,390	\$48,135	57%
Professional and related occupations	\$41,552	\$49,960	83%
Computer and mathematical occupations	\$85,573	\$63,653	134%
Community and social service occupations	\$42,917	\$33,986	126%
Education, training, and library occupations	\$42,400	\$42,310	100%
Arts, design, entertainment, sports, and media	\$34,309	\$38,202	90%
Healthcare practitioner and technical occupations	\$28,743	\$53,157	54%
Health diagnosing and treating practitioners	\$52,688	\$62,564	84%
Health technologists and technicians	\$24,012	\$36,995	65%
Healthcare support occupations	\$18,413	\$21,753	85%
Protective service occupations	\$47,727	\$39,750	120%
Food preparation and serving related occupations	\$16,563	\$17,274	96%
Building and grounds cleaning and maintenance	\$23,155	\$20,440	113%
Personal care and service occupations	\$20,303	\$18,042	113%
Sales and related occupations	\$21,955	\$31,656	69%
Office and administrative support occupations	\$23,914	\$28,540	84%
Farming, fishing, and forestry occupations	\$17,384	\$22,837	76%
Construction and extraction occupations	\$36,273	\$31,546	115%
Production occupations	\$24,943	\$30,301	82%
Transportation and material moving occupations	\$16,635	\$32,787	51%
All Industries	\$29,951	\$35,439	85%

†† Average for the 2006-2008 period; values in \$2008.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-24031.

Aggregate earnings levels reported in this table may be a result of either or both of two factors. First, employees in the same occupation with comparable skills may be paid less in San Miguel County than in other parts of the state. Or second, the specific jobs in San Miguel County, which cannot be separated in these very broad occupational categories, may require lower skills and pay lower wages than in other

parts of the state, particularly in larger metropolitan areas. For example, not all sales jobs are created equal.

It is not possible to determine which of these two factors is determinant from the available data, but it is reasonable to assume that both factors are at play. For example, it is likely that resident workers of San Miguel County receive lower wages than those residing in communities with higher costs of living; i.e. the same job pays less. It is also possible that the specific jobs that are found in and around San Miguel County, though within similar occupation categories, require lower levels of skills than those found in other areas. For example, a health technologist working in a smaller community such as Las Vegas may require less advanced training than one employed in a major trauma center in Albuquerque.

To summarize, incomes in San Miguel County are about 20 percent lower than in other parts of the state. Rates of poverty are correspondingly high. The lower income levels can be explained by several factors:

- The graying of the local population means that relatively fewer are employed, and instead depend relatively more on income support payments and retirement programs. In general, employment tends to be associated with higher income levels.
- Employees who reside in San Miguel County, most of whom work locally, receive wages that are about 15 percent below the average. With the available data, it is not possible to determine whether lower earnings are a result of employment in jobs that require lower skill levels or workers residing in San Miguel County receive lower wages for comparable employment. Both are likely factors, and both can be explained by general characteristics of employment in smaller, rather than larger metropolitan communities.

4. HOUSING AVAILABILITY AND COSTS

Housing Stock

According to the U.S. Census Bureau's 2006-2008 American Community Survey, there are 14,547 housing units in San Miguel County. **Table 4A** shows the distribution of the housing stock by housing type (or number of units per structure). In San Miguel County, single family detached units are most common, comprising 57 percent of all housing units. Mobile homes are another 34 percent of all units. There are relatively few multi-family housing units – only 9 percent of the entire housing stock. The large number of mobile homes accounts for most of the difference in the housing stock in San Miguel County compared to the state.

TABLE 4A: HOUSING UNITS BY NUMBER OF UNITS IN STRUCTURE IN SAN MIGUEL COUNTY AND NEW MEXICO†

	San Miguel County		New Mexico	
1 unit, detached	8,272	57%	64%	
1 unit, attached	161	1%	4%	
2 units	564	4%	2%	
3-50+ units	665	5%	14%	
Mobile home	4,885	34%	17%	
All Housing Units	14,547	100%	100%	

† Average for the 2006-2008 period.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-25024.

Table 4B provides more detail on age of the housing stock. Overall, the housing stock is relatively old. The median age of the housing stock in San Miguel County is 35 years old. By comparison the age of the state’s housing stock is 31 years old. There are other notable patterns in this data. The first is the large share of current housing structures built before 1950 – 3,213 units or 22 percent in the county versus only 10 percent across the state. The second is the very low volume of residential construction since 2000 – only 424 housing units constructed, accounting for only 3 percent of the county’s housing stock, compared to the 12 percent of the state’s housing stock that is new.

TABLE 4B: HOUSING UNITS BY YEAR STRUCTURE WAS BUILT IN SAN MIGUEL COUNTY AND NEW MEXICO†

	San Miguel County		New Mexico	
<1950	3,213	22%	10%	
1950-69	2,709	19%	22%	
1970-89	5,087	35%	38%	
1990s	3,114	21%	18%	
2000s	424	3%	12%	
All Housing Units	14,547	100%	100%	
Median year housing structures were built	1973		1977	

† Average for the 2006-2008 period.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-25034.

Tenure, Occupancy and Vacancy Status

Table 4C summarizes the tenure, occupancy and vacancy status of the housing stock in San Miguel County and, for comparison, the state. Note that the sum of

occupied and vacant units equals all housing units; the sum of owner and renter occupied units is equal to the total number of occupied units; and the sum of the seven vacancy categories totals the number of vacant units. The column percentages for San Miguel County and New Mexico correspond to these aggregations.

This table reveals a few significant patterns. First, there is little difference in the rate of homeownership in San Miguel County relative to the state as a whole – 70 percent of occupied units in the county are owned by the occupant, only slightly above the statewide rate. Likewise, the share of units occupied by renters also corresponds to the statewide share. On the other hand, housing vacancy rates in San Miguel County far exceed those of the state – 26 percent versus 15 percent.⁶ Further, of the vacant units, relatively few are available for rent in San Miguel County. Instead, a very large share of vacant units are classified as ‘seasonal or recreational use’ (e.g., second homes), far exceeding the corresponding share for the state as a whole – 41 percent versus only 33 percent for the state. Similarly, a larger share of vacant units in San Miguel County are classified as ‘other vacant’. This last category is difficult to specify precisely, but it is comprised largely of residential properties that are unused yet not available for sale or rent, thus including properties held by absentee owners or for later sale.

The occupancy and vacancy status of San Miguel County’s housing stock can be otherwise described with the same data. In San Miguel County, there are 14,547 housing units for 10,818 household units; thus, for every 100 housing units occupied by a household, another 34 housing units are vacant or only occasionally used. For the state as a whole, the corresponding value is about 18 vacant or only occasionally used housing units for every 100 households. In short, quality of housing aside, the supply of housing in San Miguel County is more than adequate.

⁶ Note that the term ‘vacancy’ has a broader meaning than is commonly used. In particular, units occupied occasionally but exclusively by people who have a usual residence elsewhere (e.g., vacation homes) are classified as vacant.

TABLE 4C: HOUSING TENURE, OCCUPANCY STATUS AND VACANCY STATUS IN SAN MIGUEL COUNTY AND NEW MEXICO†

	San Miguel County		New Mexico
Occupied	10,818	74%	85%
Owner Occupied	7,546	70%	69%
Renter Occupied	3,272	30%	31%
Vacant	3,729	26%	15%
For rent	265	7%	17%
Rented, not occupied	194	5%	3%
For sale only	218	6%	9%
Sold, not occupied	91	2%	4%
For seasonal or recreational use	1,532	41%	33%
For migrant workers	24	1%	0%
Other vacant	1,405	38%	34%
All Housing Units	14,547	100%	100%

† Average for the 2006-2008 period.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-25002-25004.

Cost of Housing

Analysis of the cost of housing has many dimensions, including the value of the underlying housing structure, the monthly costs of occupancy and the weight of these costs relative to local incomes. This section summarizes these issues, first for homeowners (which account for 70 percent of households in San Miguel County) and then for renters (which are the remaining 30 percent).

Owner-Occupied Housing

According to the U.S. Census Bureau's 2006-2008 American Community Survey, the median value of an owner-occupied housing unit in San Miguel County is \$109,000 (in 2008 dollars), about 30 percent less than the statewide median value of \$154,900.⁷ **Table 4D** provides a more detailed account of housing values. San Miguel County has a far greater share of low value homes, less than \$100,000, and very few homes valued at more than \$150,000. Less than one-third of all owner-occupied units in San Miguel County are valued at over \$150,000.

⁷ Note that survey was conducted over a period at the peak of the housing boom and in the early stage of the decline of the housing market, which began in the third quarter of 2007. Thus, it represents a reasonable snapshot of home values, though current (July 2010) values remain well below these averages both nationally and in New Mexico.

TABLE 4D: VALUE OF OWNER-OCCUPIED HOUSING UNITS, SAN MIGUEL COUNTY AND NEW MEXICO††

	San Miguel County		New Mexico
<\$10,000-29,999	1,140	15%	9%
\$30,000-79,999	1,142	15%	14%
\$80,000-\$99,999	1,121	15%	8%
\$100,000-\$124,999	1,033	14%	9%
\$125,000-\$149,999	588	8%	8%
\$150,000-\$249,999	1,505	20%	28%
\$250,000 and up	1,017	13%	24%
All Owner-Occupied Homes	7,546	100%	100%

†† Average for the 2006-2008 period; values in \$2008.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-25075.

Table 4E shows the median monthly cost of homeownership⁸, and the cost of homeownership in relation to total household income for San Miguel County and New Mexico. Regarding the median cost of homeownership (\$662 per month in San Miguel County versus \$791 throughout New Mexico), it is reasonable to expect that this follows directly from the lower property values described above. Regarding the cost of homeownership in relation to household income, note that despite lower monthly expenses, San Miguel County households tend to spend a slightly higher percentage of their total income on homeownership than do households state-wide because of their relatively lower household incomes. About 23 percent of homeowners spend more than 35 percent of their income on housing expenses in San Miguel County, compared to less than 19 percent of homeowners statewide who spend as much. Again, because the direct costs of homeownership are lower in San Miguel County, it is clear that the greater financial burden is due entirely to lower incomes.

⁸ By Census definitions, the principal costs of homeownership include mortgage, real estate taxes, and various insurances, utilities, fuels, mobile home tenancy payments, and condominium fees.

TABLE 4E: SELECT COSTS OF OWNER-OCCUPIED HOUSING AS PERCENTAGE OF HOUSEHOLD INCOME, SAN MIGUEL COUNTY AND NEW MEXICO ††

	San Miguel County	New Mexico	
<\$200	66	1%	2%
\$200-399	526	7%	8%
\$400-599	1,021	14%	15%
\$600-799	1,644	22%	17%
\$800-999	1,604	21%	18%
\$1000-1499	1,897	25%	23%
>\$1500	788	10%	18%
All Owner-Occupied Units	7,546	100%	100%
Median Monthly cost of homeownership	\$662		\$791

†† Average for the 2006-2008 period; values in \$2008.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-25091.

Rental Housing

As **Table 4F** shows, more than half of renters in San Miguel County pay less than \$400 per month on direct housing expenses, and four out of five pay less than \$600 per month. By comparison, only 34 percent of renters pay less than \$400 per month and one-third pay more than \$600 per month...

However, as with owner-occupied housing, lower incomes in San Miguel County mean that renters in the county dedicate a greater share of their total household income on housing than in the state, despite lower gross rents. **Table 4G** provides details on the relative costs of rental housing. In San Miguel County, the typical (median) renter in the county spends 27 percent of his or her income on housing, compared to 24 percent throughout the state. Nearly two-thirds of all renters in the county spend more than 25 percent of their total income on housing. Twenty-five percent of income is a federal benchmark for expected housing expenses. Statewide, 59 percent of renters spend more than 25 percent of their income on housing; again, a very large share but somewhat less than in San Miguel County.

TABLE 4F: GROSS RENT IN SAN MIGUEL COUNTY AND NEW MEXICO*††

	San Miguel County		New Mexico
No Rent Paid	395	11%	10%
<\$200	620	17%	7%
\$200-399	949	26%	17%
\$400-599	1,002	27%	34%
\$600-799	426	12%	22%
\$800-999	147	4%	12%
\$1000-1499	129	4%	7%
>\$1500	*	*	2%
All Renter-Occupied Units	3,667	100%	100%

* Gross rent equals contract rent plus the cost of utilities and fuels.

†† Average for the 2006-2008 period; values in \$2008.

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-25056.

TABLE 4G: GROSS RENT AS PERCENTAGE OF HOUSEHOLD INCOME, SAN MIGUEL COUNTY AND NEW MEXICO†

	San Miguel County		New Mexico
<15%	471	17%	16%
15-25%	537	19%	26%
25-35%	783	28%	20%
35-50%	251	9%	15%
50%+	777	28%	23%
All Renter-Occupied Units	2,819	100%	100%

† Average for the 2006-2008 period.

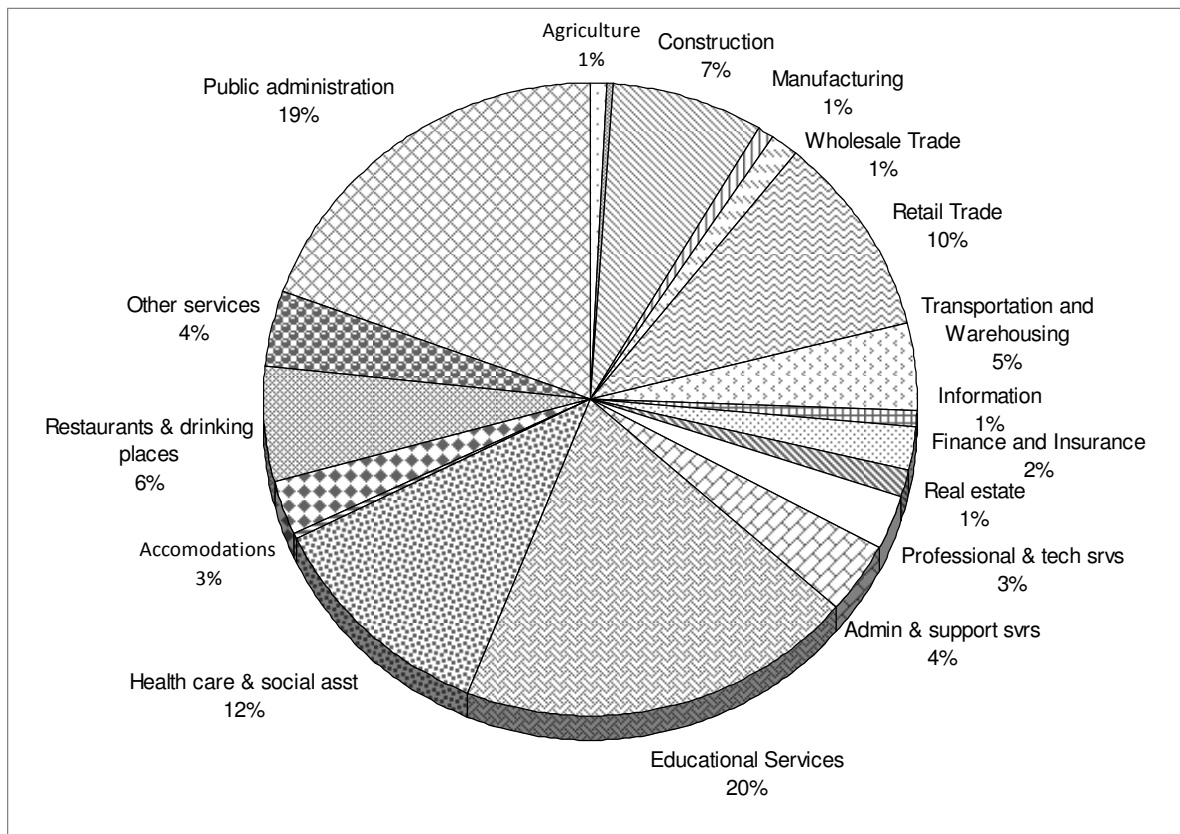
Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Table B-23070.

In summary, although the housing stock in San Miguel County is somewhat older than in other parts of the state, there is no shortage of housing in the county. More than one-quarter of all available housing units are vacant or underutilized. Housing values are very low in San Miguel County, and homeownership rates are relatively high. However, despite low home values, housing affordability remains a problem for both homeowners and renters. The underlying problem is that incomes in San Miguel County are even lower than the relative costs of housing. In the following sections, we consider patterns of economic development and employment in San Miguel County in an effort to better understand the factors that result in low wages.

5. INDUSTRIAL STRUCTURE AND ECONOMIC PERFORMANCE

Figure 5A shows the distribution of employment in San Miguel County by industry for the year 2007. **Table 5A**, which follows the figure, provides more detailed information on the number of establishments, employment and sales (or revenues), by industry and geography, in 2007.⁹

FIGURE 5A: EMPLOYMENT BY INDUSTRY IN SAN MIGUEL COUNTY, 2007



Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010.

⁹ The source of the information is the National Establishment Time Series (NETS) database, which is based on proprietary data collected by Dun & Bradstreet. Establishments are places of business. Individual locations of a larger business are listed separately; e.g., branch offices. The dataset includes nonprofit and public and governmental entities, as well as private businesses. In the case of non-profits and public/governmental entities, “sales” refers to budgetary expenditures. The data is collected by Dun & Bradstreet by surveys of individual establishments.

Economic Assessment of San Miguel County

TABLE 5A: BUSINESS ESTABLISHMENTS, EMPLOYMENT AND SALES (REVENUES), BY INDUSTRY AND GEOGRAPHY IN SAN MIGUEL COUNTY, 2007.

Industry	# BUSINESSES				EMPLOYMENT				SALES			
	Las Vegas	Pecos	Rest of County	County Total	Las Vegas	Pecos	Rest of County	County Total	Las Vegas	Pecos	Rest of County	County Total
Agriculture	20	4	15	39	39	10	35	84	2,004,500	521,300	1,311,000	3,836,800
Mining		1		1		2		2		182,900		182,900
Utilities	3		5	8	19		14	33	8,257,400		666,800	8,924,200
Construction	93	18	38	149	655	31	80	766	81,226,916	3,883,300	8,587,300	93,697,516
Manufacturing	20	3	8	31	61	16	15	92	6,570,300	525,000	25,598,500	32,693,800
Wholesale Trade	30	3	6	39	115	4	12	131	24,608,143	550,000	1,118,000	26,276,143
Retail Trade	164	9	17	190	988	35	49	1,072	129,780,800	4,354,900	3,983,400	138,119,100
General & Misc Retailers	37	5	5	47	284	15	7	306	43,832,100	1,991,700	736,700	46,560,500
Transportation and Warehousing	23	11	13	47	419	28	20	467	9,987,200	2,227,500	344,900	12,559,600
Information	17	1	3	21	84	2	4	90	4,084,400	200,000	220,000	4,504,400
Finance and Insurance	49	4	0	53	224	10	0	234	31,060,166	1,304,800		32,364,966
Real estate	47	2	8	57	125	4	16	145	8,836,428	360,000	1,293,700	10,490,128
Professional & tech svcs	77	6	18	101	233	12	37	282	13,803,300	646,000	2,834,800	17,284,100
Admin & support svcs	52	4	6	62	347	9	8	364	22,440,000	507,000	485,000	23,432,000
Educational Services	29	1	9	39	1,789	56	216	2,061	109,725,020	2,800,000	14,763,200	127,288,220
Health care & Social Assistance	140	7	5	152	1,101	75	17	1,193	50,207,056	3,272,640	1,052,100	54,531,796
Arts, entertainment & recreation	14	2	6	22	24	2	16	42	1,087,000	110,000	1,825,561	3,022,561
Accomodations	23	6	5	34	191	46	31	268	5,799,500	1,567,900	1,293,000	8,660,400
Restaurants & drinking places	52	2	2	56	577	15	12	604	15,566,000	510,000	745,000	16,821,000
Other services	136	11	12	159	355	30	25	410	15,696,200	937,000	1,114,300	17,747,500
Public administration	34	6	6	46	1,834	129	54	2,017				
Grand Total	1,023	101	182	1,306	9,180	516	661	10,357	540,740,329	24,460,240	67,236,561	632,437,130

Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010.

Profile of the San Miguel County Economy in 2007

In 2007, there were 10,306 jobs in San Miguel County. The largest concentration of employment was in educational services (2,061), which includes the public school districts, NMHU, Luna Community College, and United World College. Education is followed closely by public administration (2,017), which includes federal, state and local government. Other sectors with high levels of employment were healthcare and social assistance (1,193), retail trade (1,072), construction (766) and restaurants and drinking places (604). In terms of sales or revenues, the largest sector was, as in most places, retail. Educational services, construction, and health care and social assistance also account for a significant share of revenues. Data is not available for revenues for public administration, which would reflect budgetary allotments. Among retailers, “general” and “miscellaneous retailers”, which include “big box” retailers such as Wal-Mart, account for about one third of the total.

Geographically, the large majority of all jobs in the county are in Las Vegas (89 percent). This is true for every major sector of the county economy. In all sectors with at least 100 employees, at least 70 percent of employment in the county is in Las Vegas. On average, establishments in Las Vegas employ more than twice as many workers as those in other parts of the county (9 per establishment in Las Vegas versus 4.2 in the remainder of the county). However, establishments outside of Las Vegas tend to be more productive as defined by sales (or revenues) per worker. On average, sales per worker are \$78,907 in the county (outside Las Vegas), compared to \$58,904 in Las Vegas. The difference is especially pronounced in manufacturing, transportation and accommodations and food services. Sales per employee are much higher for retail and wholesale trade in Las Vegas, where most of the more efficient big box retailers are located. In educational services and health care and social assistance – sectors more reliant on public funding – the ratios are nearly equal in the two areas.

Changes in the Economy during the Past Decade

The economy of San Miguel County contracted somewhat during mid-decade, prior to the onset of the recession. During this period, the national and state economy showed modest growth. **Table 5B** shows the net difference in the number of establishments, employment and sales between 2002/03 and 2006/07, again according to industry and geography.¹⁰ **Table 5C** shows the same data, in terms of percent changes. **Figure 5B** shows the net change in employment, by industry, for Las Vegas and other areas of the county.

¹⁰ Note that this involves an analysis of net change between two time periods. Thus, for example, a small gain in employment may be the result of the establishment of a large number of new businesses or expansion of existing businesses, offset by an only slightly smaller loss of businesses and/or contraction of existing businesses. In a following section, we examine more specific patterns of business closure.

Economic Assessment of San Miguel County

TABLE 5B: CHANGE IN BUSINESS ACTIVITY FROM 2002/03 TO 2006/07 (AVERAGES), BY INDUSTRY AND GEOGRAPHY

Industry	# BUSINESSES				EMPLOYMENT				SALES			
	Las Vegas	Pecos	Rest of County	County Total	Las Vegas	Pecos	Rest of County	County Total	Las Vegas	Pecos	Rest of County	County Total
Agriculture	5	2	6	13	(4)	2	7	6	(139,500)	(300)	1,000	(138,800)
Mining	-	1	-	1	-	3	NA	3	-	362,900	NA	362,900
Utilities	2	(1)	2	3	6	(11)	4	(1)	1,278,750	(4,372,750)	(204,700)	(3,298,700)
Construction	-	(8)	2	(6)	(12)	(15)	13	(14)	(10,706,594)	(2,152,450)	1,745,000	(11,114,044)
Manufacturing	(13)	(1)	1	(13)	(2)	(7)	1	(8)	(826,700)	(731,450)	24,572,500	23,014,350
Wholesale Trade	3	1	1	5	2	(3)	3	2	1,953,722	(843,050)	405,500	1,516,172
Retail Trade	(11)	(1)	2	(10)	(205)	(1)	10	(196)	(32,393,014)	945,200	(265,250)	(31,713,064)
General & Misc Retailers	(3)	4	(1)	-	21	4	(10)	15	(2,162,850)	254,850	(820,300)	(2,728,300)
Transportation and Warehousing	(1)	(2)	-	(3)	(67)	(4)	(2)	(73)	(6,743,350)	(293,500)	(244,950)	(7,281,800)
Information	(6)	1	(2)	(7)	(33)	6	(2)	(29)	(5,381,515)	869,200	(195,000)	(4,707,315)
Finance and Insurance	2	(1)	-	1	18	-	1	19	1,916,878	(71,950)	(79,300)	1,765,628
Real estate	6	1	6	13	(43)	1	1	(42)	(3,877,150)	(210,500)	(424,050)	(4,511,700)
Professional & tech svcs	8	3	3	14	67	6	4	77	1,182,850	236,200	187,500	1,606,550
Admin & support svcs	(3)	(3)	(1)	(7)	29	-	2	31	(8,270,297)	(221,000)	6,124,436	(2,366,862)
Educational Services	15	1	3	19	65	12	10	86	(5,903,272)	880,920	568,800	(4,453,552)
Health care & Social Assistance	8	2	3	13	1	NA	-	1	(88,400)	NA	(39,770)	(128,170)
Arts, entertainment & recreation	-	1	(2)	(1)	28	6	(3)	31	(356,800)	(1,450,700)	(271,189)	(2,078,689)
Accommodations	(3)	(3)	(1)	(7)	(82)	(14)	(3)	(99)	(4,070,350)	(316,950)	(824,450)	(5,211,750)
Restaurants & drinking places	-	(2)	2	-	24	(8)	4	19	(2,656,950)	(592,050)	(334,200)	(3,583,200)
Other services	(7)	(1)	2	(6)	43	24	38	105	-	40,850	90,000	130,850
Public administration	2	(6)	26	22	(144)	1	76	(68)	(77,244,543)	(7,666,530)	29,991,577	(54,919,496)

Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010.

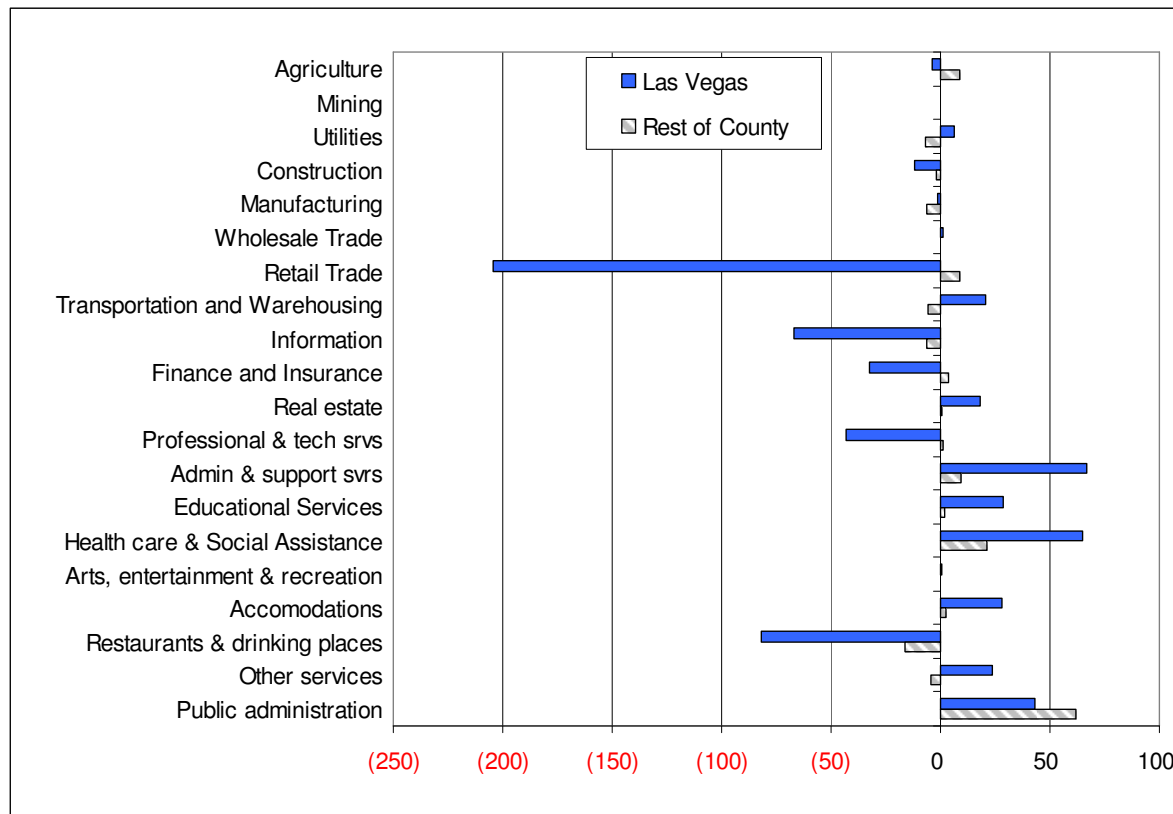
Economic Assessment of San Miguel County

TABLE 5C: PERCENT CHANGE IN BUSINESS ACTIVITY FROM 2002/03 TO 2006/07 (AVERAGES), BY INDUSTRY AND GEOGRAPHY

Industry	# BUSINESSES				EMPLOYMENT				SALES			
	Las Vegas	Pecos	Rest of County	County Total	Las Vegas	Pecos	Rest of County	County Total	Las Vegas	Pecos	Rest of County	County Total
Agriculture	33%	100%	67%	50%	-8%	29%	28%	7%	-8%	0%	0%	-4%
Mining	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Utilities	200%	-100%	67%	60%	46%	-100%	80%	-3%	22%	-113%	-48%	-33%
Construction	0%	-31%	6%	-4%	-2%	-27%	19%	-2%	-12%	-33%	21%	-11%
Manufacturing	-39%	-25%	14%	-30%	-1%	-54%	9%	-6%	-8%	-122%	3192%	187%
Wholesale Trade	11%	50%	20%	15%	1%	-86%	38%	1%	7%	-117%	49%	5%
Retail Trade	-6%	-10%	13%	-5%	-17%	-3%	24%	-15%	-19%	26%	-6%	-18%
General & Misc Retailers	-12%	57%	-7%	0%	11%	18%	-45%	6%	-26%	15%	-94%	-25%
Transportation and Warehousing	-6%	-67%	0%	-13%	-25%	-67%	-29%	-26%	-73%	-44%	-40%	-70%
Information	-11%	33%	-100%	-12%	-13%	46%	-57%	-11%	-16%	55%	-54%	-13%
Finance and Insurance	4%	-33%	0%	2%	15%	0%	3%	13%	24%	-15%	-5%	18%
Real estate	8%	20%	50%	15%	-18%	11%	2%	-16%	-21%	-22%	-22%	-21%
Professional & tech svcs	31%	300%	100%	47%	31%	NA	58%	34%	7%	158%	59%	10%
Admin & support svcs	-9%	-75%	-10%	-15%	2%	0%	1%	2%	-8%	-5%	23%	-2%
Educational Services	13%	17%	150%	15%	6%	28%	127%	8%	-9%	79%	118%	-7%
Health care & Social Assistance	133%		100%	144%	3%		0%	2%	-9%		-3%	-5%
Arts, entertainment & recreation	0%	20%	-29%	-3%	17%	14%	-8%	13%	-5%	-33%	-16%	-16%
Accommodations	-5%	-60%	-33%	-11%	-12%	-40%	-17%	-13%	-19%	-33%	-32%	-21%
Restaurants & drinking places	0%	-15%	20%	0%	7%	-14%	23%	5%	-14%	-30%	-33%	-17%
Other services	-17%	-14%	50%	-12%	2%	62%	141%	5%		4%		11%
Public administration	0%	-6%	17%	2%	-2%	0%	11%	-1%	-13%	-21%	54%	-8%

Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010.

FIGURE 5B: CHANGE IN NUMBER OF JOBS FROM 2002/03 TO 2006/07 (AVERAGES), BY INDUSTRY AND GEOGRAPHY



Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010.

Between the two periods, San Miguel County gained 22 establishments on a net basis, while total employment fell by 68 jobs and sales (or revenues) declined by \$55 million (in 2008 dollars). The decline in employment was greatest in retail trade, information, public administration and restaurants. These losses were largely offset by gains in public administration, health care and social services, and administrative and support services.

The decline in employment and revenues was mainly concentrated in Las Vegas. There were 144 fewer Las Vegas-based jobs in 2006-07 compared to 2002-03, while the remainder of the county showed a net gain of 76 jobs. The shift in economic activity from Las Vegas to the county was far more pronounced in terms of sales. During the four year period, sales of Las Vegas-based establishments fell by more than \$77 million, while sales in other parts of the county grew by more than \$22 million.

In Las Vegas, the decline in employment and sales cut across nearly all industries, with only slight gains in sales in real estate and administrative and support services.¹¹ The decline was, by far, most pronounced in the retail sector, which saw a 17 percent decline in employment and a slightly greater decline in sales in 2008 dollars. There were also cutbacks in restaurants and drinking places, publishing and communications (information sector), and finance and insurance. In several sectors, especially in what are largely publicly-funded educational services and health care and social services industries, employment remained stable or increased while revenues declined.

Outside of Las Vegas, the most important development during mid-decade was the sharp increase in revenues to the manufacturing sector. Although employment remained relatively unchanged in all geographies, the sharp increase in sales in the county was largely associated with the development of Dragonfly Industries, a bio-fuel producer based in Rociada, northwest of Las Vegas. In addition, educational services showed a significant increase in revenues, though again with minimal impact in terms of employment. Although the increase in revenues had several sources, an apparent increase in funded activities at the Armand Hammer United World College in Montezuma did account for a substantial share of the increase.

Business Closures during the Decade

A unique characteristic of the Dun & Bradstreet-based NETS dataset is that it provides annual data on an establishment by establishment basis. This detail allows us to consider openings and closures of business establishments. **Table 5D** shows data on establishment closures during the period 2002 through 2006.¹² Again, the data are organized by industry and geography. In this table, the employment is the average number of jobs lost because of business closure and sales is likewise the average revenue loss resulting from the closure. **Figure 5C** shows the distribution of job losses, by industry, due to establishment closures. **Figures 5D** and **5E** are maps showing the location of jobs gained and lost as a result of new business formation and establishment closures for San Miguel County and Las Vegas, respectively, during the period 2002-2006.

¹¹ Gains in administrative and support services appear to be tied to the increased use of temporary employment agencies (NAICS 5613) and a broader pattern of outsourcing of office functions. In this sense, growth in administrative and support services is typically little more than a movement of existing jobs and activities between sectors, with no real gain to the economy.

¹² Establishments included in this table are those that reported employment for any year during the 2002-2006 period, but which reported no employment in 2007. Employment and sales data are averages for establishment for the 1999 through 2006 period, or any sub-period during which the establishment was under operation. The average is used to mitigate the effect of businesses 'winding down' during their final years.

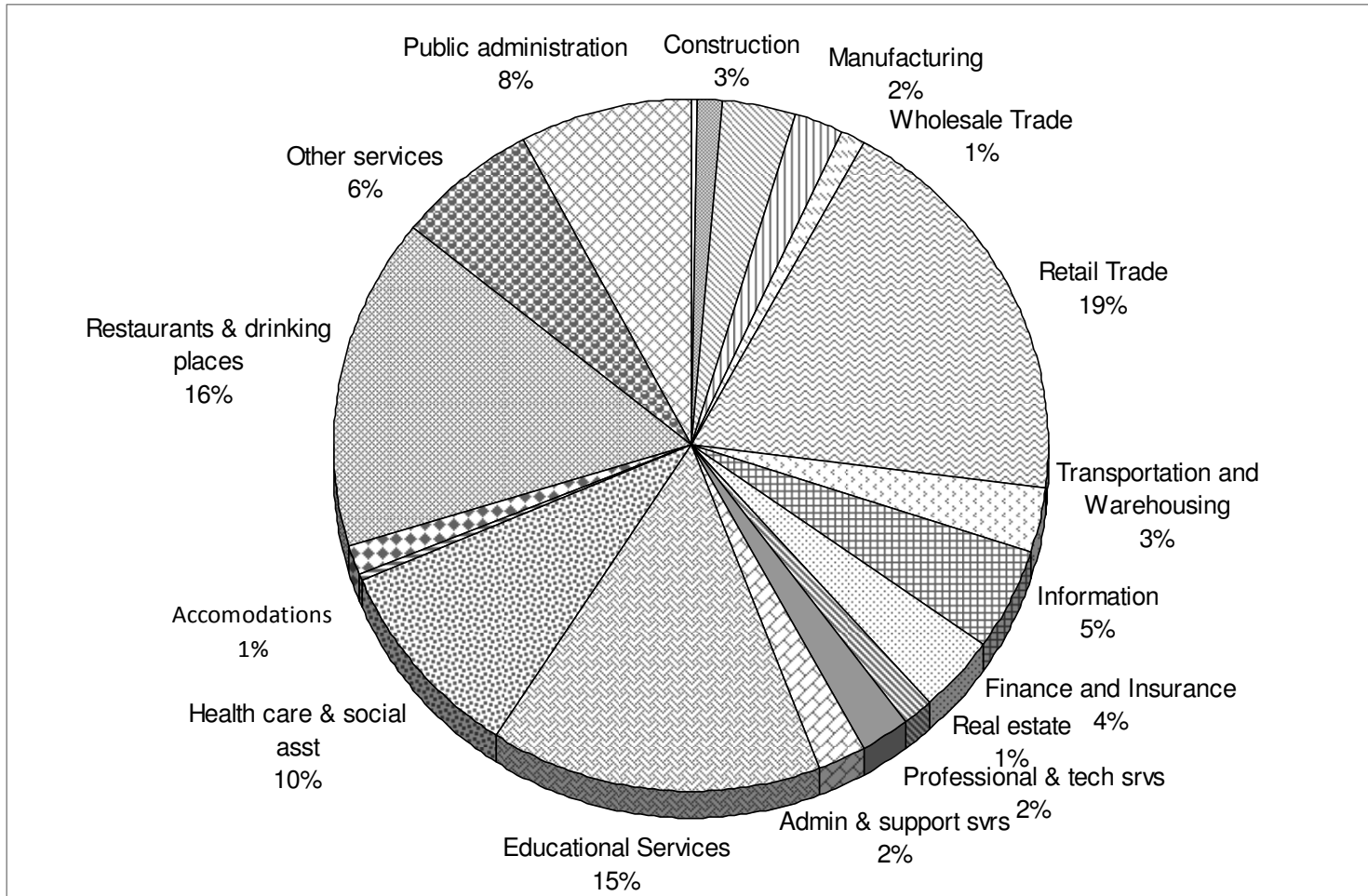
Economic Assessment of San Miguel County

TABLE 5D: BUSINESS CLOSURES DURING THE PERIOD 2002-2006, AND RELATED IMPACTS ON EMPLOYMENT AND SALES IN SAN MIGUEL COUNTY, BY INDUSTRY AND GEOGRAPHY.

Industry	# BUSINESSES				EMPLOYMENT				SALES			
	Las Vegas	Pecos	Rest of County	County Total	Las Vegas	Pecos	Rest of County	County Total	Las Vegas	Pecos	Rest of County	County Total
Agriculture	2	1	0	3	3	2	0	5	87,038	142,192	0	229,229
Mining	0	1	NA	1	0	2	NA	2	0	206,667	NA	206,667
Utilities	0	1	1	2	0	11	4	15	0	4,095,680	346,233	4,441,913
Construction	19	5	10	34	28	8	21	57	3,743,722	1,270,875	1,793,183	6,807,780
Manufacturing	16	4	4	24	26	8	6	40	2,153,088	765,410	499,243	3,417,741
Wholesale Trade	7	1	0	8	13	5	0	18	2,258,732	1,000,000	0	3,258,732
Retail Trade	40	5	4	49	289	25	10	324	35,436,895	2,496,162	970,500	38,903,557
Transportation and Warehousing	8	4	4	16	41	8	7	57	2,610,012	509,989	600,543	3,720,545
Information	14	4	2	20	70	5	4	79	3,568,613	374,707	397,300	4,340,619
Finance and Insurance	19	0	1	20	60	0	2	62	7,136,084	0	237,306	7,373,390
Real estate	8	1	2	11	17	2	3	23	878,330	283,933	203,994	1,366,258
Professional & tech svcs	15	2	4	21	31	3	5	39	2,288,344	269,803	475,942	3,034,089
Admin & support svcs	7	1	1	9	35	2	1	38	2,318,834	114,167	40,000	2,473,000
Educational Services	6	1	4	11	133	23	101	257	6,762,811	1,112,720	10,952,513	18,828,044
Health care & Social Assistance	30	2	0	32	160	4	0	164	7,953,225	184,650	0	8,137,875
Arts, entertainment & recreation	1	NA	0	1	6	NA	0	6	303,820	NA	0	303,820
Accommodations	4	1	2	7	8	8	7	23	381,879	1,988,121	425,886	2,795,886
Restaurants & drinking places	16	1	1	18	252	15	2	268	7,420,171	298,741	78,417	7,797,328
Other services	32	4	4	40	85	11	11	106	4,378,008	614,927	706,667	5,699,602
Public administration	12	0	2	14	128	0	8	136	0	0	0	0
Grand Total	256	39	46	341	1,385	142	193	1,720	89,679,603	15,728,743	17,727,728	123,136,074

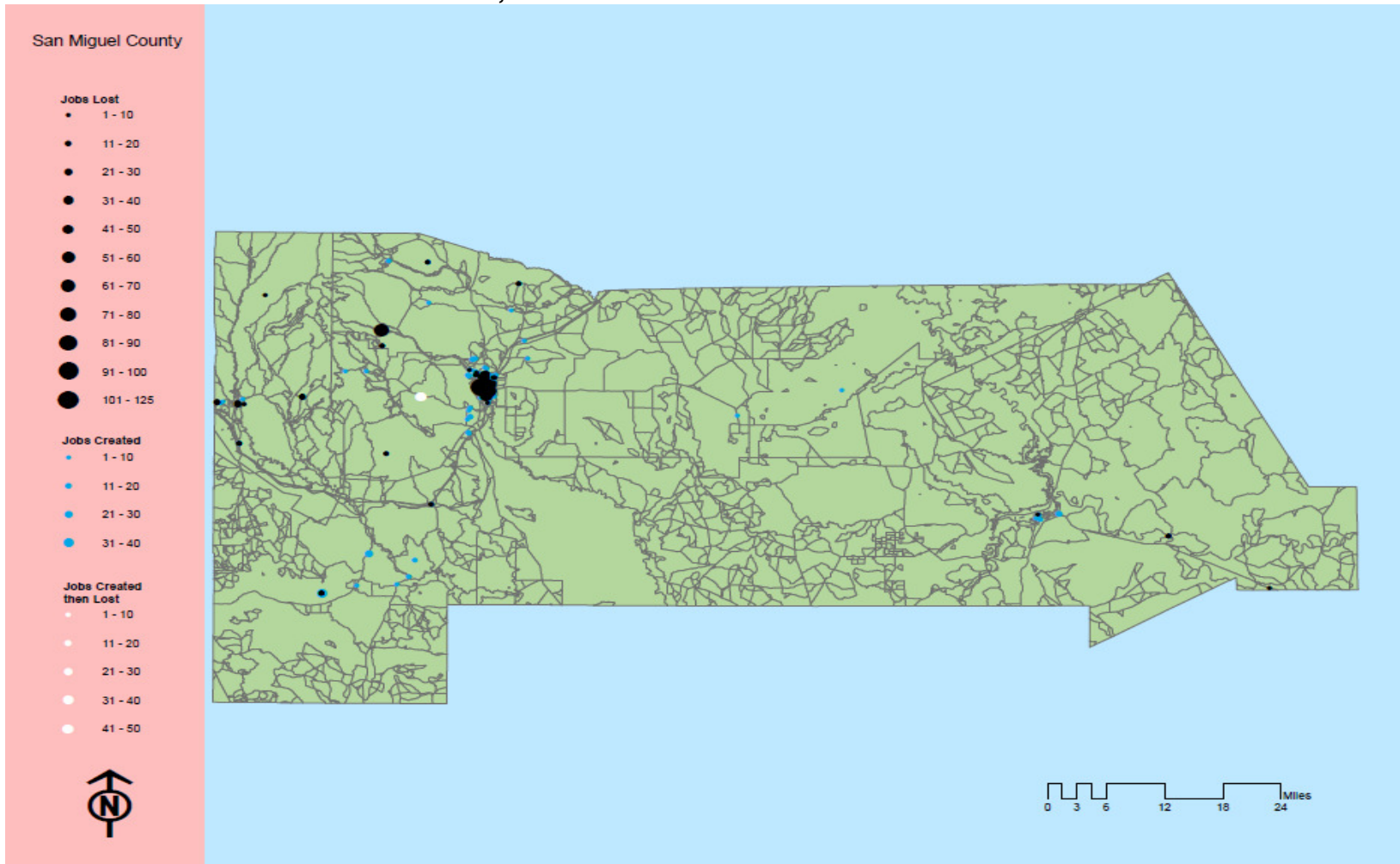
Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010.

FIGURE 5C: EMPLOYMENT LOST AS A RESULT OF BUSINESS CLOSURES IN SAN MIGUEL COUNTY, BY INDUSTRY, 2002-2006



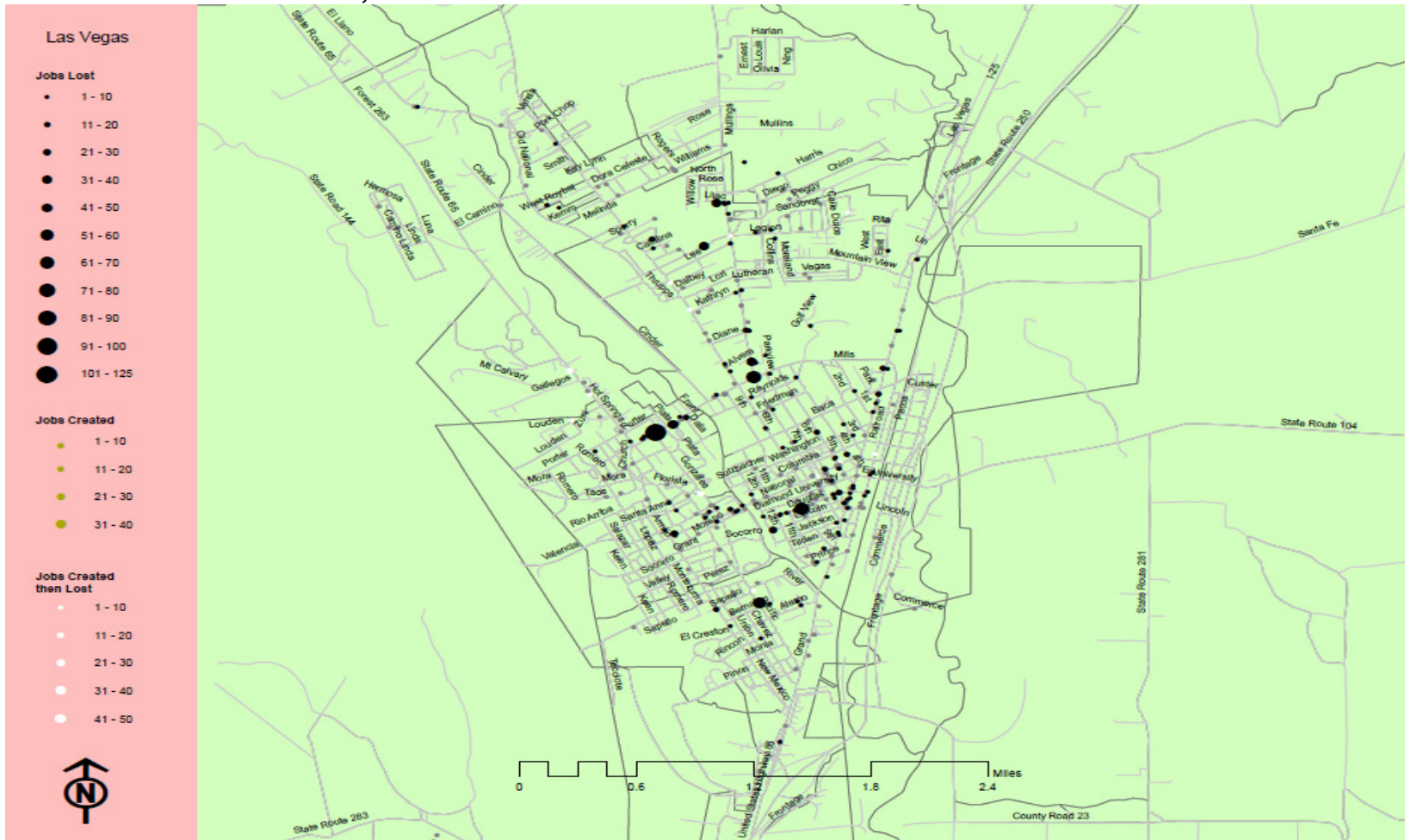
Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010.

FIGURE 5D: LOCATION OF JOBS GAINED AND LOST AS A RESULT OF BUSINESSES FORMATION AND CLOSURES IN SAN MIGUEL COUNTY, 2002-2006.



Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010. ESRI ARC MAP 9.2.

FIGURE 5E: LOCATION OF JOBS GAINED AND LOST AS A RESULT OF BUSINESSES FORMATION AND CLOSURES IN LAS VEGAS, 2002-2006.



Source: National Establishment Time Series Database; based on Dun & Bradstreet data. Aggregation, summary, and calculations by UNM-BBER, 2010. ESRI ARC MAP 9.2.

During the five year period, 341 establishments closed in San Miguel County, resulting in the direct loss of 1,720 jobs and \$123 million in revenues.¹³ Among industries with a high enough number of establishments to be statistically meaningful, failure rates (establishment closures as a percentage of all establishments) was greatest in manufacturing, finance and insurance, information services, transportation, and restaurants and drinking places. Industries in which closures were least common included administrative and support services, accommodations, wholesale trade and construction. A pattern that emerges from this industry breakdown – though by no means perfect – is that closures tended to be most common in sectors that experienced a more general, even national pattern, of consolidation and relocation, while in sectors more necessarily rooted in a locale, closures were somewhat less common. For instance, manufacturing, finance and insurance and information services are experiencing overarching changes in their organizational and geographical characteristics. Conversely, business support services, accommodations and construction are, by the nature of their activities, tied to their location. Thus, business closures in San Miguel County have been most common in industries that are least necessarily tied to place and most likely to benefit from organizational and geographical consolidation, while establishments seem to be most secure where they remain tied to their San Miguel County-based market.

Returning to characteristics of businesses that closed their doors during the 2002-2006 period, their average size was much smaller than the average among all businesses. In Las Vegas, the average number of employees in shuttered businesses was about 5.4 (compared to an average of 9), while the average number of employees who lost their jobs due to business closures in other parts of the county was about 3.9 (only slightly less than average of 4.2 employment for all establishments in the county). Further, and more troubling, average revenues per employee among establishments that closed their doors was substantially higher than the average for all businesses. In Las Vegas, businesses that closed averaged nearly \$64,750 in sales per employee (compared to \$58,900 for all businesses in the city), and in other parts of the county, average sales per employee of shuttered businesses was \$100 thousand compared to \$77,900.

This surprising finding seems to follow from the prior discussion of the locational characteristics of business closures. Business closures have been most common in industries that are highly productive and subject to, and targeted for, reorganization and relocation. Again, manufacturing and finance and insurance are strong examples. Conversely, business closures have been less common in industries that are less subject to reorganization and relocation, often because the nature of their business geographically ties them to their market. These are often characterized by low productivity, in part because these businesses necessarily bare the many inefficiencies of multiple and dispersed locations, including a lack of labor specialization, high

¹³ Note that nearly all of the jobs and most of the revenues associated with establishment closures were offset by the opening of new businesses and the expansion of existing businesses. Thus, the net loss of employment and sales, as shown in Table 7D, is significantly less than those directly associated with establishment closures, as shown in Table 5D.

locational costs, and limited power to negotiate in matters of finance and government oversight.

In summary, the data and argument presented here suggests that the businesses most subject to closure are those that must compete in industries that are highly productive and most able to reorganize and relocate; those least likely to close are those that are least threatened by reorganization and relocation, and are often least productive. This finding has broad and somewhat troubling implications for economic development policy, which will be considered in greater detail later in this report.

6. GROSS RECEIPTS AND REVENUE FLOWS INTO AND OUT OF SAN MIGUEL COUNTY

In the previous section, we examined the changing patterns of employment in San Miguel County, with particular focus on the trends in business closure. In this section we continue our analysis of the strengths and weaknesses of San Miguel County's economy with an analysis of gross receipts. In particular, we analyze pull-factor to identify economic sectors that have been effective in generating growth by drawing money into the community.

Gross Receipts Data and Pull Factor Analysis

The source of gross receipts data is the New Mexico Taxation and Revenue Department. This data is organized by industry, using established North American Industry Classification System (NAICS) codes. BBER uses the taxable gross receipts figures combined with food and medical deductions, because this most accurately approximates the net revenues of businesses. All values have been adjusted for inflation and are in 2009 dollars.

The main advantages of this dataset are: 1) it is very inclusive, since businesses are required by law to provide information on their sales to the New Mexico Taxation and Revenue Department so that the State can collect the appropriate gross receipts tax from them; 2) data is available on a detailed level by industry (up to six digit NAICS); and 3) very current data is available. However, there are disadvantages to the data: 1) not all products are taxable as gross receipts in New Mexico; a notable example is gasoline; 2) gross receipts data are categorized according to the type of business, rather than by the type of product; e.g., sales of food from gasoline convenience stores are included in gasoline station sales, not food sales; 3) businesses are self-classified, and sometimes inaccurately so; 4) information at the more detailed level is often unavailable because NM TRD does not disclose it if the number of businesses in the (sub)sector is so few that they would be easily identifiable; and 5) information is not "nested"; i.e., summing all the data available on a disaggregated (three-, four-, or five-digit) sub-sector level will not result in a total that matches the next higher (fewer digit) level. Only the two-digit sectors can be relied upon for accurate totals, though in some

cases, such as in small communities, non-disclosure applies even at this aggregated level.

Pull factor analysis is an examination of economic exchanges between a local economy and the larger economy against which it is measured. The purpose is to determine the relative strength or weakness of an industrial sector (e.g., services, retail, and so on), as measured in terms of its capacity to draw revenues into the local economy. A pull factor is the measure of this capacity. A pull factor value of 100% is the break-even point – if all residents made all their purchases locally, the pull factor for the economy as a whole would be 100 percent. Values greater than 100% indicate that the business sector is drawing revenues into the local economy (i.e., on a net basis, more money is spent in the economy by those whose income is earned outside the community than money is spent by locals outside the community). Values less than 100% indicate that residents are spending a disproportionate share of their income outside the local economy, thus ‘leaking’ money to other communities. The principal assumption underlying pull factor analysis is that consumers in the two geographies have identical spending patterns. In other words, it is assumed that if state residents as a whole spend 10 percent of their incomes at restaurants, then residents of San Miguel County do as well.

Net gains and losses are derived from the pull factors. They are calculated as the difference between estimated expenditures of local residents and the gross receipts reported by local businesses. Gains are revenues to local businesses in excess of estimated expenditures of residents, and losses are the revenue deficits to local businesses.

In evaluating pull factors it is important to note that in an open economy it is highly unlikely that all industries (or sectors) will have pull factors greater than 100 percent. Local economies function in the exchange of goods and services. Ideally, the local economy is able to use the net surplus revenues generated by sales in one industry to finance net purchases in another. Each economy has its strengths and weaknesses. For example, smaller communities are unlikely to compete with larger cities in advanced medical care, but may be successful in developing their recreational industries. From a policy perspective, strategies that either seek to reduce leakages or exploit strengths are equally valid, as both serve to create jobs and enhance the wealth and prosperity of the community. The question is which specific policy is likely to be most effective given the community’s size, location and resources.

Gross Receipts and Pull Factor Analysis in San Miguel County and Las Vegas

Tables 7A and 7B show gross receipts, pull factors and net gains and losses of revenues for the years 2005 through 2009 for San Miguel County¹⁴ and Las Vegas.

¹⁴ Note that in this analysis, San Miguel County refers to all parts of the county, including the incorporated towns of Las Vegas and Pecos. Later in this analysis, we will examine San Miguel County excluding businesses in Las Vegas. This distinction will be clearly noted.

San Miguel County Receipts and Pull Factors

In San Miguel County, total taxable gross receipts plus food and medical deductions (corrected for inflation), averaged \$370 million during the period 2005-2009. Overall, there was a general upward trend in the receipts, though 2009 was a relatively slow year. The receipts were relatively stable, with a low of \$339 million in 2005 and a high of \$387 million in 2008. Receipts varied on average by about 5 percent per year during the period. As should be expected, the retail sector captured a large share of total receipts (35 percent over the period), and the sector was very stable. After retail, construction (16 percent), other services¹⁵ (12 percent), restaurants and drinking establishments (8.4 percent), health care and social assistance (7.8 percent), and information and cultural services (4.5 percent) also contributed significantly to taxable gross receipts.

The economy of San Miguel County suffers from a very substantial leakage of revenues. The pull factor for the economy as a whole during the 2005-09 period was 67 percent, indicating that on a net basis San Miguel County-based businesses capture only about two-thirds of the estimated expenditures of county residents. Thus, again on a net basis, one third of the income of county residents is spent elsewhere. On average, revenues that leak from the county's economy are equal to an estimated \$185 million per year.

Professional, scientific, and technical services is the weakest of the major sectors, with a pull factor of only 20 percent, thus accounting for a loss of about \$39 million per year. This is very common in more rural areas, as professional and technical services are typically highly concentrated in the largest urban areas, so there may be little that can be done to reverse this pattern at least in the short term. The retail sector lost about 20 percent of expected receipts (i.e. pull factor of 80 percent), or about \$33 million per year. Among other major sectors, wholesale trade, construction and 'other services' also account for significant losses. On the positive side of the ledger, food services and drinking places drew \$6.5 million into the county; information and cultural services, and public administration¹⁶ capture another \$3.5 million each; and health care and social assistance draw about \$1.7 million into the economy. **Figure 7A** shows the average annual gains and losses in gross receipts, by industry, for San Miguel County.

¹⁵ Other services include various repair and maintenance services, personal care services, landscaping and many other services.

¹⁶ Note that most public sector activities do not collect taxes as revenues and are thus outside of this analysis. Employment, reviewed in the previous section, is a much better indicator of public sector activities. In the analysis of taxable gross receipts, public administration is largely limited to 'enterprise' or fee based activities.

TABLE 7A: SAN MIGUEL COUNTY GROSS RECEIPTS, 2005-2009 (in \$2009)

TAXABLE GROSS RECEIPTS (PLUS FOOD & MEDICAL DEDUCTIONS)

Industry	2005	2006	2007	2008	2009
Agriculture	201,830	506,357	596,952	832,997	644,189
Utilities	18,849,949	20,434,510	18,847,901	15,773,354	15,319,931
Construction	46,237,717	64,182,610	64,322,251	65,462,346	51,016,133
Manufacturing	1,938,605	2,263,851	2,938,113	2,201,153	1,789,529
Wholesale Trade	5,724,312	6,121,488	6,830,961	9,992,233	8,835,263
Retail Trade	128,008,810	127,360,245	130,222,245	134,260,454	128,468,751
Transportation and Warehousing	1,497,440	4,812,724	6,068,564	2,808,226	6,064,433
Information and Cultural Industries	14,745,260	14,575,410	14,647,749	17,757,891	21,632,529
Finance and Insurance	1,659,833	1,637,252	1,726,117	1,918,869	1,669,369
Real Estate	3,119,037	4,823,117	5,480,491	4,141,058	3,097,858
Professional & Technical Services	8,144,697	9,327,990	10,651,177	11,944,016	12,245,348
Administrative & Support Services	1,296,571	3,284,651	2,864,686	2,467,549	1,703,706
Educational Services	660,738	511,015	258,738	221,382	263,797
Health Care and Social Assistance	20,690,417	31,153,862	26,499,304	29,313,468	35,895,999
Arts, Entertainment and Recreation	175,113	116,224	119,819		110,245
Accommodations	4,763,443	6,431,914	5,279,494	4,214,418	2,799,012
Food Services and Drinking Places	29,273,095	30,017,974	30,225,717	33,551,253	32,043,333
Full-Service Restaurants	17,408,960	16,773,521	16,757,789	16,509,057	14,080,145
Drinking Places	6,976,787	7,948,359	5,793,976	6,358,622	5,017,765
Other Services	46,827,219	43,367,652	42,888,729	43,543,400	37,454,123
Public Administration					5,495,542
Unclassified Establishments		261,942	114,769	344,738	1,331,236
Grand Total	338,712,284	376,543,651	376,973,807	386,500,879	371,167,910

TABLE 7A (CONTINUED): SAN MIGUEL COUNTY PULL FACTORS AND NET GAINS AND LOSSES, 2005-2009

Industry	PULL FACTOR					NET GAIN/LOSS				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Agriculture	20%	54%	64%	92%	95%	(814,521)	(439,864)	(335,744)	(76,679)	(30,702)
Utilities	81%	88%	85%	66%	74%	(4,390,850)	(2,852,355)	(3,249,711)	(8,053,163)	(5,427,080)
Construction	63%	74%	78%	81%	79%	(27,451,233)	(22,595,838)	(18,060,537)	(15,053,399)	(13,208,549)
Manufacturing	15%	15%	19%	15%	15%	(11,221,559)	(13,201,776)	(12,384,867)	(12,737,671)	(10,194,305)
Wholesale Trade	19%	18%	23%	34%	41%	(25,120,394)	(27,243,676)	(22,436,079)	(19,484,401)	(12,495,005)
Retail Trade	79%	78%	79%	80%	82%	(34,028,914)	(36,569,453)	(34,122,858)	(33,397,834)	(27,623,733)
Transportation and Warehousing	31%	82%	97%	40%	92%	(3,361,708)	(1,073,575)	(215,979)	(4,256,972)	(558,953)
Information and Cultural Industries	137%	119%	122%	135%	123%	4,014,864	2,319,618	2,633,445	4,596,145	4,074,457
Finance and Insurance	52%	49%	45%	54%	62%	(1,562,273)	(1,697,884)	(2,098,564)	(1,628,635)	(1,043,659)
Real Estate	38%	55%	61%	48%	42%	(5,048,465)	(3,926,663)	(3,498,997)	(4,449,039)	(4,195,489)
Professional & Technical Services	16%	19%	22%	23%	26%	(42,680,703)	(39,285,703)	(36,800,343)	(39,463,450)	(34,439,679)
Administrative & Support Services	57%	31%	20%	13%	9%	(986,266)	(7,452,937)	(11,554,586)	(17,003,899)	(16,633,925)
Educational Services	40%	28%	14%	11%	13%	(979,986)	(1,302,746)	(1,631,044)	(1,706,826)	(1,764,509)
Health Care and Social Assistance	82%	117%	98%	106%	127%	(4,614,432)	4,423,171	(488,746)	1,642,202	7,603,608
Arts, Entertainment and Recreation	10%	7%	7%		5%	(1,523,660)	(1,550,191)	(1,617,100)		(1,905,434)
Accommodations	75%	113%	114%	104%	46%	(1,590,539)	761,432	668,420	147,266	(1,952,502)
Food Services and Drinking Places	117%	118%	119%	127%	128%	4,719,650	6,091,946	6,196,515	8,476,856	7,072,387
Full-Service Restaurants	81%	77%	78%	76%	70%	(3,984,896)	(5,049,645)	(4,720,035)	(5,346,784)	(6,060,110)
Drinking Places	281%	334%	260%	280%	245%	4,492,703	5,568,379	3,569,180	4,091,218	2,966,004
Other Services	70%	62%	66%	66%	77%	(20,245,646)	(26,255,287)	(22,436,558)	(22,912,209)	(11,444,352)
Public Administration					288%					3,587,012
Unclassified Establishments		41%	11%	18%	50%		(381,129)	(920,839)	(1,619,597)	(1,333,633)
Grand Total	63%	65%	67%	66%	72%	(197,469,230)	(198,436,180)	(187,846,619)	(195,471,069)	(147,349,780)

Source: State of New Mexico Taxation and Revenue Department Combined Reporting System; Report No. 80, Quarterly Reports, 2005-2009; Aggregations and calculations, UNM-BBER 2010.

Las Vegas Gross Receipts and Pull Factors

Table 7B shows the same variables for the city of Las Vegas – taxable gross receipts, including food and medical deductions, pull factors and the net gain/loss of revenues. During the five year period, average annual receipts in Las Vegas were about \$292 million, equivalent to about 78 percent of the county total. As in the county as a whole, receipts were relatively stable, varying by an average of only about 3 percent per year. Again, the retail sector accounted for the largest share of total receipts, about 40 percent. Apart from retail, ‘other services’, health care and social assistance, restaurants and drinking places and construction accounted for a substantial share of receipts.

For the Las Vegas economy as a whole, the pull factor average 115 percent during the five year period. On a net basis, the economy of Las Vegas realized an average annual gain of about \$35 million per year in its exchanges with ‘the rest of the world’. Retail alone could account for this entire gain, drawing in an average of about \$42 million year. In addition, health care and social assistance, and restaurants and drinking places netted the community another \$32 million per year. On the negative side of the ledger, professional services, construction, wholesale trade, manufacturing and administrative and support services lost an average of about \$38 million per year. **Figure 7B** shows the average annual gains and losses in gross receipts, by industry, for the City of Las Vegas.

Exchanges between Las Vegas-Based Business, County Residents and the Rest of the World¹⁷

According to U.S. Census Bureau data, slightly more than half (54 percent) of the total household income of county residents is earned by the population that lives outside of Las Vegas. This, together with the mismatch in pull factors between the county (including Las Vegas) and the City of Las Vegas alone, raises important questions regarding the economic relationships between Las Vegas-based businesses and county residents. To what extent is the strength of Las Vegas-based businesses due to spending by county residents who live outside the city? Alternatively, to what extent is the strength of Las Vegas businesses due to their success in drawing in revenues from outside the county while county residents, including those residing in Las Vegas, offset these gains with the leakage of expenditures outside the county? These very different scenarios would inform very different development strategies. In the first case, the focus of efforts would be to promote businesses that are able to draw additional revenues into the county. In the second case, the focus of development efforts would perhaps be to minimize leakages of county consumers.

¹⁷ Unless otherwise specified, in the context of this discussion ‘country residents’ refers to those living outside of Las Vegas. The incorporated community of Pecos is included in this category; therefore the term ‘incorporated areas’ of the county does not exactly apply. For reference, gross receipts data for Pecos is presented in **Table A1**.

TABLE 7B: LAS VEGAS GROSS RECEIPTS, 2005-2009 (in \$2009)

TAXABLE GROSS RECEIPTS (PLUS FOOD & MEDICAL DEDUCTIONS)					
Industry	2005	2006	2007	2008	2009
Utilities	12,195,699	13,316,944	11,318,994	8,311,556	7,841,500
Construction	26,189,665	27,317,474	22,734,992	28,354,948	26,278,653
Manufacturing	1,408,001	1,493,834	1,471,026	1,463,538	1,354,610
Wholesale Trade	5,091,431	5,647,851	6,141,732	9,527,311	8,264,822
Retail Trade	116,790,504	115,184,404	117,444,676	121,809,659	116,765,431
Transportation and Warehousing	1,021,450	351,983	628,209	1,998,266	2,945,326
Information and Cultural Industries	9,039,454	9,464,190	9,535,430	10,658,608	13,375,786
Finance and Insurance	1,585,145	1,586,068	1,597,140	1,720,832	1,566,801
Real Estate	1,788,257	2,175,959	2,526,866	2,590,485	1,762,030
Professional & Technical Services	7,356,914	8,581,470	9,740,966	9,705,472	10,137,393
Administrative Support Services	1,273,189	2,954,348	2,571,920	2,337,308	1,485,667
Educational Services	551,218	418,097	193,705		234,182
Health Care and Social Assistance	20,317,470	30,599,325	25,928,679	28,879,596	35,158,105
Arts, Entertainment and Recreation			68,376		
Accommodations	3,970,680	5,634,124	4,468,193	3,492,698	1,893,044
Food Services and Drinking Places	25,236,148	25,555,127	26,631,294	29,604,969	29,482,327
Full-Service Restaurants	15,507,484	14,734,780	14,784,323	14,709,359	12,127,430
Drinking Places	5,663,642	6,234,602	4,935,024	5,033,314	4,141,917
Other Services	40,671,262	37,701,811	36,683,029	36,248,761	31,617,122
Unclassified Establishments					1,028,573
Grand Total	278,961,921	292,287,419	285,362,707	301,575,173	299,356,851

TABLE 7B (CONTINUED): LAS VEGAS PULL FACTORS AND NET GAINS AND LOSSES, 2005-2009

Industry	PULL FACTOR					NET GAIN/LOSS				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Utilities	114%	124%	111%	76%	82%	1,479,965	2,579,972	1,130,355	(2,674,237)	(1,724,411)
Construction	77%	68%	60%	76%	89%	(7,786,410)	(12,693,831)	(15,249,587)	(8,768,786)	(3,333,692)
Manufacturing	23%	21%	21%	21%	25%	(4,659,812)	(5,636,968)	(5,594,005)	(5,424,368)	(4,170,827)
Wholesale Trade	36%	37%	46%	70%	84%	(9,130,268)	(9,735,966)	(7,352,545)	(4,063,605)	(1,570,015)
Retail Trade	156%	152%	155%	158%	162%	42,079,088	39,600,647	41,669,387	44,506,746	44,795,211
Transportation and Warehousing	46%	13%	22%	61%	96%	(1,218,978)	(2,362,038)	(2,269,432)	(1,259,314)	(108,547)
Information and Cultural Industries	183%	167%	172%	176%	165%	4,091,945	3,813,361	3,995,944	4,590,067	5,280,211
Finance and Insurance	107%	103%	91%	105%	125%	99,515	48,323	(166,322)	85,169	315,894
Real Estate	47%	54%	61%	65%	52%	(1,977,567)	(1,858,339)	(1,613,345)	(1,370,188)	(1,600,745)
Professional & Technical Services	31%	38%	45%	41%	47%	(16,077,367)	(13,833,050)	(12,137,706)	(13,997,185)	(11,387,870)
Administrative Support Services	121%	60%	39%	26%	18%	220,631	(1,996,476)	(4,076,435)	(6,640,474)	(6,969,342)
Educational Services	73%	50%	22%		25%	(205,278)	(418,182)	(677,625)		(701,018)
Health Care and Social Assistance	174%	248%	208%	226%	270%	8,650,057	18,274,492	13,485,185	16,121,088	22,113,213
Arts, Entertainment and Recreation			9%					(732,472)		
Accommodations	136%	215%	210%	186%	71%	1,041,022	3,019,612	2,342,146	1,617,439	(481,798)
Food Services and Drinking Places	218%	217%	228%	244%	256%	13,915,188	14,523,453	15,552,048	18,043,811	17,968,868
Full-Service Restaurants	157%	146%	149%	146%	131%	5,643,328	4,672,681	4,881,453	4,632,194	2,841,278
Drinking Places	494%	568%	481%	481%	438%	4,518,294	5,137,254	3,909,228	3,987,872	3,195,903
Other Services	132%	117%	122%	118%	140%	9,745,694	5,600,469	6,563,223	5,607,793	9,071,296
Unclassified Establishments					84%					(200,130)
Grand Total	113%	110%	110%	112%	125%	31,742,450	27,179,044	24,938,572	33,242,914	60,281,714

Source: State of New Mexico Taxation and Revenue Department Combined Reporting System; Report No. 80, Quarterly Reports, 2005-2009; Aggregations and calculations, UNM-BBER 2010.

Pull factors are based, in effect, on estimated net flows between the community being evaluated and a larger geography that encompasses the former. To this point, pull factor analysis has involved an assessment of flows between the local community (i.e., Las Vegas, San Miguel County) and the state of New Mexico, which is used as a proxy for ‘the ‘rest of the world’’. However, it is possible to estimate net flows locally, such as those between Las Vegas and San Miguel County as a whole. Although these are estimates of ‘net flows’¹⁸ only, this analysis can help to shed light on these important questions.

Table 7C summarizes estimates of average net flows between Las Vegas, the county (excluding Las Vegas) and the ‘rest of the world’ (i.e., areas outside San Miguel County) during the period 2005-2009. Columns are average annual ‘net receipts’ from the geographical sources listed in the rows; thus, a positive number indicates an inflow of revenues and a negative indicates a leakage of revenues.

The first column shows that Las Vegas received an average inflow of \$120.9 million per year as a result of its exchanges with county residents who live outside the city, and that the city sent an average of \$85.4 million to areas outside San Miguel County (leakages to ‘rest of the world’). The sum of these net flows account for the \$35.5 million in average annual inflow to Las Vegas, as reported above. The second column contains corresponding data for the remainder of the county. County residents living outside Las Vegas sent \$120.9 million to Las Vegas (mirroring Las Vegas inflows) and \$99.9 million to areas outside the county boundaries. Thus, leakages from county residents living outside of Las Vegas to other areas (including Las Vegas) totaled \$220.8 per year. Taken together, the county as a whole lost \$185.3 million in gross receipts to the rest of the world – the sum of losses to the rest of the world from Las Vegas and county residents.¹⁹

Taken as a whole, the results of the analysis of exchanges shows that both Las Vegas and the rest of the county leak a substantial volume of revenues to areas outside of the county. To a slightly greater extent, county residents also send a large share of their income to Las Vegas. On a net basis, this provides a surplus for Las Vegas (\$35 million per year), but a very substantial deficit for the county as a whole. Clearly, efforts should be made to reduce the loss of revenues from both the city and the county. From the county perspective, whether the reduction of losses from county residents results from the development of new businesses within or outside of Las Vegas is irrelevant. From Las Vegas’ perspective, it is clearly beneficial that the capture of additional revenues occurs with the city.

¹⁸ It is, of course, impossible to know exactly the volume of expenditures made by residents of Las Vegas outside the county and the corresponding expenditures of residents from the outside the county in Las Vegas. This would require that the transaction be associated with the place of residence. Rather, pull factor analysis involves the estimation of ‘net flows’, in effect the balance of trade between the two geographies.

¹⁹ Mathematically, net flows with the rest of the world are also equal to the sum of the balances of the two constituent geographies – Las Vegas and county residents.

Table 7C: Estimated Average annual net flows of gross receipts between Las Vegas, Remaining areas of San Miguel County and the Rest of the World, 2005-2009. (Millions 2009 Dollars).

	Las Vegas	County	NET: County to Rest of the World
Las Vegas	...	(120.9)	
County	120.9	...	
Rest of World	(85.4)	(99.9)	
Regional Totals	35.5	(220.8)	(185.3)

Source: State of New Mexico Taxation and Revenue Department Combined Reporting System; Report No. 80, Quarterly Reports, 2005-2009; calculations by UNM-BBER, 2010.

7. LOCATIONAL DYNAMICS AND COMPETITIVENESS

The purpose of this section is to compare the structure of the San Miguel County economy with other economies, including the U.S., the state and neighboring counties in northeastern New Mexico. Specifically, we use location quotient analysis to look for industries and types of ownership (e.g., private, federal government, and so on) that predominate in the county. Later in this section, we use shift-share analysis to examine changes in the structure of the local economy that have occurred during this decade. Together, these analyses help us to identify economic sectors in which San Miguel County may have or may be capable of developing competitive advantages, providing for the development of new industries.

Comparing the Structure of San Miguel County's Economy to its Neighbors: Location Quotients

Location quotients are used to compare the structure of one economy to the structure of neighboring or competing economies. In this analysis, we compare employment patterns in San Miguel County with neighboring counties, first according to industry and then 'ownership class'. The calculations are straightforward – the location quotient is the share of total employment in a given industry (or ownership class) divided by the corresponding share in the economy to which the comparison is made. Thus, a value of 1.0 indicates that the share of employment in the given sector (industry or ownership class) is equal to the corresponding sector of the economy to which its compared; a value less than 1.0 means that a smaller share of total employment is in that sector; and a value greater than 1.0 means that the share is larger. Of course, some sectors will be

relatively larger and others relatively smaller, as the shares are adjusted for the total size of the economy in terms of total employment.²⁰

The data used in this analysis is the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW). The QCEW derives from a federally mandated filing by employers used in the administration of unemployment insurance (known as 'Covered employment, or ES-202 datasets). Because of federal mandates of the ES-202 data, QCEW is considered the most reliable source of county level employment data.

Table 6A shows location quotients for 22 industries in relation to the United States, New Mexico, the regional economy comprised of six counties, and each of the six counties separately. Note that in some counties, such as Harding, the scarcity of data allows for an analysis of only a few industries.

As data in the first column of Table 6A shows, compared to the U.S. as a whole, the economy of San Miguel County is highly specialized in a few industries. These industries include health care and social assistance, hospitality (accommodations and food services), retail trade, public administration, agriculture and construction. By contrast, the local economy lacks any significant concentration of employment in manufacturing, transportation, real estate, utilities and arts, entertainment and recreation. Comparison with the New Mexico economy (in the second column), still a large and integrated economy that includes metropolitan areas such as Albuquerque, Las Cruces and Santa Fe, reveals similar results. Again, San Miguel County retains strong employment clusters in health care and social assistance, hospitality, retail trade and, to a lesser extent, public administration. Because New Mexico as a whole has a relatively small financial sector compared to the US as a whole, San Miguel County's finance and insurance shows some strength in the state context; i.e., compared to the total economy of New Mexico, the financial sector is relatively large in San Miguel County.

However, more local comparisons, shown in the following columns, suggest that some of the sectors where San Miguel County is strongest may have more to do with its location than any specific competitive advantage. Hospitality is an important example. As part of northeast New Mexico, San Miguel County is a strong draw for state and national consumers – again, location quotients for accommodations and food services are 1.55 and 1.32 in national and state markets, respectively. But compared to other counties in northeast New Mexico, San Miguel County does not stand out as a center for the hospitality industry. Note that the location quotient for the hospitality industry is only 0.61 in relation to the northeast counties, and even lower in comparison to Colfax and Guadalupe counties in particular.

²⁰ Note that the column of location quotients in Table 6A does not average to 1.0, as each industry or ownership class is 'weighted' differently according to its respective level of employment.

TABLE 6A: SAN MIGUEL COUNTY LOCATION QUOTIENTS BY INDUSTRY, IN RELATION TO SELECT GEOGRAPHIES, 2007-2008 AVERAGE.

INDUSTRY	United States	New Mexico	NE Counties	Colfax County	Guadalupe County	Harding County	Mora County	Quay County	Union County
Agriculture, forestry, fishing and hunting	0.71	0.45		0.62	0.72	0.01			
Mining, quarrying, and oil and gas extra	0.20	0.07	0.26	0.13					
Utilities	0.52	0.42	0.36	0.36	0.36			0.26	
Construction	1.22	0.93	0.79	0.82	0.73		0.24	0.79	
Manufacturing	0.16	0.36	0.63	0.31					
Wood product manufacturing	0.95	2.05							
Wholesale trade	0.30	0.45	1.34	0.71				4.94	
Retail trade	1.75	1.69	1.08	1.22	1.05		0.94	0.97	0.88
Transportation and warehousing	0.57	0.74	0.52	0.98	0.39		0.26	0.32	0.56
Information	0.78	0.87	2.10	4.91				2.29	0.26
Finance and insurance	0.98	1.57	1.07	1.04	2.82			0.89	0.59
Real estate and rental and leasing	0.46	0.52	0.58	0.36	1.83			1.08	2.03
Administrative and support services	0.58	0.61	7.21	4.76	7.20		1.87		
Educational services	1.09	0.99	1.28	1.92	1.04			0.69	
Health care and social assistance	2.25	2.06	5.18		3.13			1.82	
Arts, entertainment, and recreation	0.61	0.48	0.92	0.93			0.19	1.30	0.38
Accommodation and food services	1.68	1.42	0.67	0.57	0.47		2.19	1.56	0.40
Other services	0.66	0.79	0.31	0.20	1.01		0.96	0.60	0.45
Public Administration	1.59	1.16	0.79	0.92	0.77	0.28	0.49	0.76	0.54

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2001-2009; calculations by UNM-BBER, 2010.

Table 6B shows location quotients for four ‘ownership classes’, in relation to the same geographies identified above. Ownership class refers to the nature of the employer, whether federal, state or local government, or the private sector.²¹ The overall pattern is pronounced and perhaps unsurprising. San Miguel County is very dependent on state governmental employers, including New Mexico Highlands University and the New Mexico Behavioral Health Institute. Workers in San Miguel County are seven times more likely to be employed by state government than are all workers in the U.S.; and nearly four times as likely as workers in other parts of New Mexico and the northeast counties. To a lesser extent, the San Miguel County workforce is also highly dependent on employment by county and local government. By contrast, if not surprisingly, the workforce of San Miguel County is far less likely to be employed in the private sector than are workers in other parts of the country. To be clear, the majority of the workforce of San Miguel County (55 percent) is employed in the private sector, but this is only 66 percent of the share throughout the U.S. (where 84 percent are employed by the private sector), and only 72 percent of the share of workers throughout the state (where 77 percent work for private employers).

These broad comparisons with the U.S. and New Mexico generally hold true for similar comparisons with neighboring counties. In these counties, the workforce is again more likely to be employed by the private sector than in San Miguel County, and somewhat less likely to be employed by federal and local governments. State governmental employment is common in nearly all counties in the northeastern corner of the state.²²

In summary, this analysis of location quotients reveals San Miguel County to be a regional center for a number of essential services, especially health care, social assistance, education, support services, wholesale trade and information. Yet, in the broader context of the U.S. and the state as a whole, it appears that in some cases San Miguel County’s regional advantages do not easily translate into opportunities in larger markets. For example, regional advantages in industries such as information, wholesale trade and administrative and support services are due more to what appear to be limited competition within the region. Yet, in some cases the opposite is true. San Miguel County’s hospitality industry is well positioned in state and national markets, but within the region, San Miguel County has claimed no particular advantage. Finally, the evaluation of ownership patterns shows that by nearly any comparison (national, state or regional) San Miguel County is highly dependent on state employment and, to a lesser extent, employment with local government. And by any comparison, the private sector has a very low profile in local labor markets.

²¹ No distinction is made between the for-profit and not-for-profit private sector, or among private sector entities that depend on publicly sourced contracts and funds.

²² Note that while employment by the state government is much more common in New Mexico than other parts of the U.S., the very high share of employment that is characteristic of northeastern counties is not, by definition, typical of all parts of the state. Taken as a whole, the location quotient of employment by state government for the state as a whole is necessarily equal to 1.0. Therefore, the high share of state governmental employment in the northeast must be offset by lower shares in other parts of the state.

TABLE 6B: SAN MIGUEL COUNTY LOCATION QUOTIENTS BY OWNERSHIP CLASS, IN RELATION TO VARIOUS GEOGRAPHIES, 2007-2008 AVERAGE

OWNER CLASS	United States	New Mexico	NE Counties	Colfax County	Guadalupe County	Harding County	Mora County	Quay County	Taos County	Union County
Federal	0.85	0.47	0.78	1.60	0.72	0.21	0.33	0.91	0.63	0.40
State	7.06	3.92	2.45	1.80	4.50	4.02	4.35	2.43	8.82	6.69
Local	1.79	1.47	0.97	1.28	0.70	0.42	0.68	0.92	1.36	0.99
Private	0.66	0.72	0.81	0.78	0.84	1.33	0.90	0.82	0.69	0.76

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2001-2009; calculations by UNM-BBER, 2010.

Patterns and Sources of Recent Changes in the Structure of San Miguel County's Economy: Shift-Share Analysis.

In this section we consider the changes that have occurred in employment patterns in San Miguel County during the period 2001-2008. Again, employment patterns are considered by industry and ownership class, and analysis is based on comparisons with other economies (known here as 'base economies'). The data used in this analysis is the same as that used in the location quotient analysis. The difference here is that the focus is change; specifically, the source or cause of change. We use shift-share analysis to measure changes in employment patterns in terms of three factors:

- Growth effect: changes in local employment patterns due to broad patterns of economic growth that affect the overall economy (or more specifically, the base economy upon which the comparison is made). Here, growth (or decline) in local employment are attributable simply to the changing conditions of the national (or base) economy.
- Structural shift: changes that are due to realignment among industries or ownership classes that is common to the overall economy (or again, the base economy upon which the comparison is made). Typical of these changes are the local consequences of the loss of manufacturing and the growth of service employment that is occurring throughout the U.S.
- Regional shift: changes that are due to characteristics unique to the local economy (San Miguel County). Regional shifts are most important, as only these factors differentiate the changes affecting the local economy from those affecting the base economy. To use the simplest interpretation, jobs associated with a regional shift can be understood as a movement of jobs – gains and losses – from the larger economy to the local economy, or visa versa, due to competitive advantages and disadvantages offered by the local economy. An example here may be the relative success of the local economy in generating employment in the health care sector because of superior hospitals or the in-migration of an elderly population in need of additional health care services.

Table 6C shows the results of the shift-share analysis of changes in industrial patterns in San Miguel County during the period 2001-2008.²³ This table uses the U.S. economy as the basis for comparison. **Table 6D** also shows shift-share analysis by industry, but uses the performance of northeast counties as the basis for comparison. The reason for comparing shift-share analysis on the two geographical scales is because – as we have seen – a description of the local economy and the identification of its comparative advantages depends to a large degree on our basis of comparison.

The values in the tables are jobs gained and lost. The columns are the sources or causes of the gains and losses for each industry (or later, ownership class). The total of

²³ Shift-share analysis involves a comparison of two time periods. In this analysis, again to smooth out year to year fluctuations, employment averages for the periods 2001-02 and 2007-08 are used.

jobs gained or lost in the first column is equal to the sum of the three sources of change in the next columns. In the three tables, the number of jobs gained or lost by industry (or ownership class) is always equal; only the source of the change varies because of differences in the basis of comparison.

Figure 6A is a graphical representation of the shift-share analysis in relation to changes in the U.S. economy. The balloons represent industries, and its size represents the number of jobs gained or lost; solid colored balloons gained jobs whereas stripped balloons lost jobs. The position of the balloon relative to the vertical and horizontal axes indicates the number of jobs gained or lost as result of the shift factor. The position relative to the horizontal line indicates the extent to which the industry gained or lost jobs because of growth and structural factors (i.e. reasons having nothing to do with local factors). The position relative to the vertical line, on the other hand, line indicates the extent to which the industry gained or lost jobs because of regional shifts (i.e. local factors). Thus, the graph shows that hospitality industry lost jobs (stripped) because of regional shift factors (to the left of the vertical line), despite advantages of growth and structural factors (above the horizontal line).

Competitiveness in Relation to the U.S. Economy

Shift-share analysis with the U.S. as base (Table 6C) indicates that, on a net basis, the entire gain in employment in San Miguel County during the 2001-2008 period can be explained by overall growth of the national economy. Based on that growth alone, San Miguel County could have expected a gain of 253 jobs. However, the relative weakness of the economy compared to the national economy accounted for a net loss of 49 jobs.

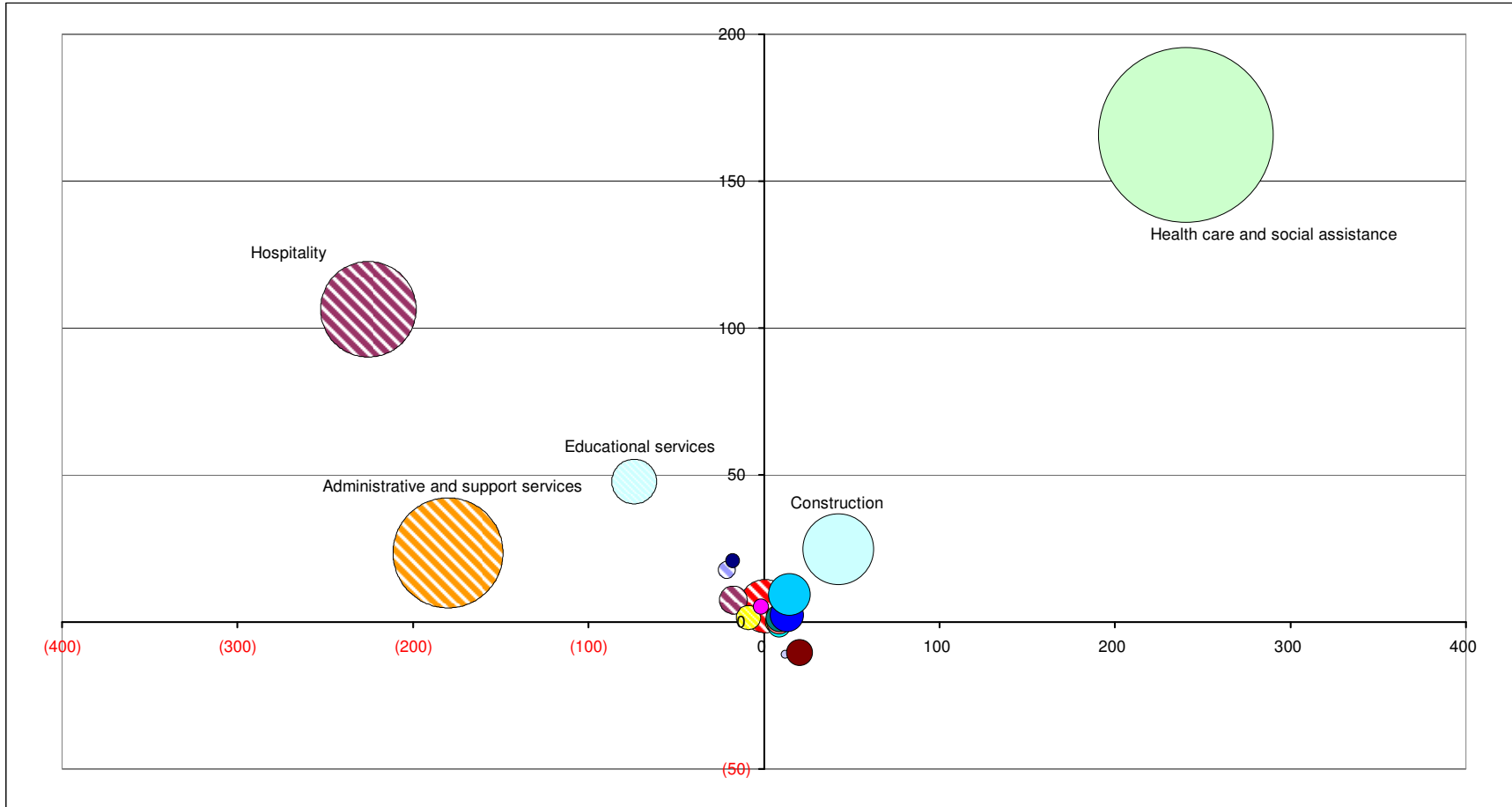
The remainder of the table reveals a very complex pattern of growth and change on an industry by industry basis. The gains in employment in health care and social assistance, for example, were the result of a perfect storm of all factors: the growth of the U.S. economy accounted for 50 new jobs in the sector; a national shift in favor of health care accounted for an additional 115 new jobs; and the effectiveness of San Miguel County in particular accounted for another 240 jobs. Similar patterns were also evident in the finance and insurance and construction sectors. In the first case, the sector benefitted from the growth of the national economy, but local advantages provided an additional impact. The construction industry also benefitted from national as well as local dynamics; however, it is likely that the regional shift was due less to the competitive advantages of the local industry to the allocation of capital spending by state and federal governments to local projects. The information sector offers an alternative example of comparative advantages that may be developing in San Miguel County. Note that while the national structural shift away from employment in the information sector would, by itself, be expected to result in a loss of 14 local jobs, the effectiveness of local industry more than offset this trend, resulting in a net gain of 10 jobs in the sector. The difficulty here, however, is that growth in the local industry is akin to swimming upstream – local gains in competitiveness must overcome what is likely to be a continued national shift away the information sector.

TABLE 6C: RESULTS OF SHIFT SHARE ANALYSIS FOR SAN MIGUEL COUNTY BY INDUSTRY, 2007-2008 V 2001-2002, IN RELATION TO THE UNITED STATES

INDUSTRY	Total	Growth Shift	Structural Shift	Regional Shift
TOTAL	205	253	-	(49)
Agriculture; forestry; fishing and hunting	9	1	(1)	9
Mining, quarrying, and oil and gas extraction	(8)	1	1	(9)
Utilities	7	0	(1)	7
Construction	67	13	11	42
Manufacturing	1	4	(15)	12
Wood product manufacturing	8	0	(2)	9
Wholesale trade	(37)	5	1	(42)
Retail trade	3	48	(28)	(18)
Transportation and warehousing	16	5	(2)	13
Information	10	4	(14)	21
Finance and insurance	24	9	(0)	15
Real estate and rental and leasing	11	1	(0)	9
Administrative and support services	(157)	16	7	(180)
Educational services	(19)	25	23	(68)
Health care and social assistance	406	50	115	240
Arts, entertainment, and recreation	4	2	3	(2)
Accommodation and food services	(119)	40	66	(225)
Other services, except public administration	(10)	6	2	(18)
Public Administration	(4)	21	(3)	(21)

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2001-2009; calculations by UNM-BBER, 2010

FIGURE 6A: JOBS GAINED AND LOST IN SAN MIGUEL COUNTY, 2001-2008, IN RELATION TO NATIONAL STRUCTURAL AND REGIONAL FACTORS.



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2001-2009; calculations by UNM-BBER, 2010.

There are also many cases where the growth dynamic cut in the opposite direction – where a structural shift in the national economy in favor of a given industry was undercut locally by apparent weaknesses in the San Miguel County industry. Administrative and support services, wholesale trade, educational services and, in particular, the hospitality sector are all examples of this pattern. In each case, the industry showed gains nationally but these were offset locally by negative regional shifts. The hospitality sector is illustrative. Between 2001 and 2008, the local industry could have expected to gain 40 jobs from the growth of the national economy alone, and another 66 jobs from the growing importance of the sector within the national economy. Yet, the overall loss of 119 jobs in San Miguel County’s hospitality sector can be explained entirely by factors specific to the local industry. It is possible that the regional shift was indeed regional – San Miguel County’s hospitality sector lost jobs because the industry throughout the northeast counties or throughout New Mexico was experiencing losses of national market share. But it is also possible that the northeast counties and/or New Mexico as a whole were maintaining or even gaining shares of national market and that losses were concentrated in, and specific to San Miguel County. The same questions are relevant to the similar cases of wholesale trade, administrative and support services, and educational services.

Competitiveness in Relation to the Northeast New Mexico Region

We turn now to an analysis of the competitiveness of the San Miguel County economy to the other six counties that comprise the northeast region (Colfax, Union, Mora, Harding, Guadalupe and Quay counties). Table 6D shows shift-shares for San Miguel County in region to these counties.

As before, the table shows that San Miguel County gained 205 jobs. However, because we use a very different frame of reference in the analysis, the explanations for this job gain are substantially different. To begin, whereas national employment grew by about five percent during the seven-year period, employment in the six county region contracted slightly, by about 1 percent. Thus, on the basis of the growth effect alone, San Miguel County may have expected to have lost about 50 jobs. In this context, the county’s modest gain in employment is somewhat of an achievement, and must be explained as the result of an improvement in the county’s competitive posture in relation to other parts of the region. Logically, one could argue that growth in San Miguel County was the result of a movement of 254 jobs from other parts of the region into the county.

The remainder of the table illustrates the competitive dynamics on an industry by industry basis. On the negative side of the ledger are finance and insurance, and hospitality. During the seven-year period, the finance and insurance sector grew rapidly in the region but San Miguel County, which once dominated the region’s financial sector, saw only a very modest gain of 24 jobs in this sector. In effect, the failure of the county to keep pace with growth of the financial sector in other parts of the region indicates a loss of competitiveness in the sector.

TABLE 6D: RESULTS OF SHIFT SHARE ANALYSIS FOR SAN MIGUEL COUNTY BY INDUSTRY, 2007-2008 V 2001-2002, IN RELATION TO NORTHEAST NEW MEXICO

INDUSTRY	Total	Growth Shift	Structural Shift	Regional Shift
TOTAL	205	(50)	-	254
Agriculture; forestry; fishing and hunting	9	(0)	(11)	20
Mining, quarrying, and oil and gas extraction	(8)	(0)	(11)	4
Utilities	7	(0)	(3)	10
Construction	67	(3)	43	26
Manufacturing	1	(1)	(22)	24
Wood product manufacturing		(0)		
Wholesale trade	(37)	(1)	(20)	(16)
Retail trade	3	(10)	(90)	103
Transportation and warehousing	16	(1)	11	5
Information	10	(1)	(40)	51
Finance and insurance	24	(2)	114	(88)
Real estate and rental and leasing	11	(0)	10	0
Administrative and support services	(157)	(3)	(181)	27
Educational services	(19)	(5)	(89)	75
Health care and social assistance	406	(10)	(106)	522
Arts, entertainment, and recreation	4	(0)	7	(3)
Accommodation and food services	(119)	(8)	289	(400)
Other services, except public administration	(10)	(1)	1	(10)
Public Administration	(4)	(4)	0	0

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2001-2009; calculations by UNM-BBER, 2010.

The dynamics in the hospitality sector (accommodations and food services) are much more pronounced. In the other six counties in the region, employment in the hospitality sector increased by 439 jobs, from 16 percent to 21 percent of total employment. Yet, during the same period, San Miguel County lost 119 jobs in the sector, and the share of total employment fell from 16 percent to 13 percent. Had the hospitality sector in San Miguel County grown at a rate comparable to that of the other counties, it would have had an increase of 281 jobs. Thus, the loss of 400 jobs indicates a loss of competitiveness of San Miguel County with respect to the other six counties; in effect, 400 jobs moved from San Miguel County's hospitality sector to the other counties. This insight allows us to answer the question that arose from the prior analysis of hospitality in the national context. Far from losing shares of the national market, these data suggest that northeast New Mexico has gained ground in the national hospitality market. This is consistent with an observation that since 9/11 American travel patterns have become more and more local, and that amenity-rich rural areas have benefitted. Yet, these data also suggest that San Miguel County's once prominent role in the regional hospitality industry has diminished during recent years. One partial explanation

may be that Raton has gained a greater share of the I-25 travel market, and the very low and declining location quotient of San Miguel County's hospitality industry with respect to Colfax County appears to support this explanation. Beyond this specific comment, the declining competitiveness of San Miguel County's hospitality industry would suggest opportunities to reach out to its regional neighbors in an effort to develop a more cooperative relationship in the tourism industry and thus enhance its role within the regional industry.

Apart from finance and insurance and hospitality, there are several sectors in which San Miguel County appears to have strengthened its competitive position with respect to its regional neighbors. The improvement was by far greatest in health care and social assistance, but San Miguel County also had appreciable gains in competitiveness in retail, education and information. In the case of health care and social assistance, San Miguel County did extremely well in offsetting both the slight decline associated with the growth shift and the much larger shift away from health care that was common to the other six counties. During the seven year period, the county strongly consolidated its dominant competitive position in the region, in effect shifting 522 health care and social assistance jobs into the county and building a location quotient of 4.7 for the sector with respect to the region (i.e., the share of employment in health care and social assistance in San Miguel County is nearly five times that of the other counties in northeast New Mexico).

In retail, the county in fact saw only a very slight gain in employment (3 jobs), but this was against a context of significant losses in other parts of the region. In education, the county actually lost employment (19 jobs), but again this was in the context of a strongly negative turn in the other counties. It is likely that the regional downturn is due to the broad pattern of population loss and especially the 'graying' of the population associated with a declining number of children enrolled in schools. Although this was also the case in San Miguel County, it was much less so here than in other parts of the region. The slight gain in the information sector, discussed above in the context of the national economy, was also impressive given the very notable overall decline in employment in the sector.

Changing Patterns of Employment by Ownership Class

In the discussion of location quotients, we noted that San Miguel County is disproportionately reliant on public sector employment, especially by state and local governments.

During the 2001-2008 period, this pattern was little changed. In San Miguel County there was a very slight shift in employment from the public sector to the private sector, but this was largely because a slight decline in public sector employment rather than any significant growth in private sector employment. Within the public sector, the state government, which accounts for nearly one-quarter of all jobs in San Miguel County, continued to add while federal and local governments offset these gains with a slightly larger reduction in their workforce. The while the growth of public sector employment was a bit more. Yet, despite its modest shift in public-private employment, private

sector's share of total employment in San Miguel County remains very low compared to the state and national economies.

Applying Location Quotients and Shift-Share Analysis

The purpose of this section is to identify industries in which San Miguel County has historically had a competitive advantage, and evaluate these strengths going forward. We have looked at the local economy from two perspectives – in comparison to its immediate markets in northeast New Mexico and in comparison to the U.S. as a whole. In summary, this analysis shows that had San Miguel County kept pace with the national rate of job growth during the 2001-2008 period, it could expected the creation of a few more jobs than in fact occurred. Indeed, the rate of job growth in state far exceeded that of the national economy during the same period.

The most succinct explanation for the very low rate of job growth in San Miguel County is that the economy remains too closely tied to its role as the center for retail and services for the northeast counties of New Mexico. This regional experienced slightly negative growth during the seven year period, and so while the county strengthened its position with respect to the most immediate market area the 'regional shift-share' from the broader national perspective was negative. On a more positive note, the county did see a slight moderation in its over-dependence on public sector economy, though there remains a continued need for the county to shift toward greater participation by private sector in job creation.

8. CONCLUSIONS AND RECOMMENDATIONS

From assets to vulnerabilities

The qualities that historically have been the strongest aspects of San Miguel County's society and economy appear to be increasingly its greatest vulnerabilities. Addressing these vulnerabilities is the difficult challenge of economic development and revitalization in San Miguel County.

Over-dependence on public sector employment

Over the years San Miguel County has relied on a high level of public sector employment, especially by state but also local government. By most standards, these jobs are considered good jobs – they are typically stable employment and, while they will not make one wealthy, the pay is comparatively good. Further, the greatest number of the public sector jobs in San Miguel County is funded by outside dollars, especially from the state, and thus they represent a net gain to the local economy.

However, current economic conditions make it clear that dependence on public employment can be risky. Austere economic conditions make it highly unlikely that public employment and wages paid to public employees will continue to grow as they once did. Insofar as the trend against public sector employment goes back as far as 25 years, there little reason to believe that the pattern will be reversed when the current

recession eases. But in the final analysis, the problem is not in number of public sector jobs *per se*, but the historical inability of the local economy to create jobs in the private sector. The present risk, then, is not so much that existing public sector jobs will suddenly disappear, but that the community, with little history of private job creation, will find it difficult to respond to changing conditions to sustain or create growth.

Decline of regional markets

The second shift facing San Miguel County is that, historically, it has benefitted a relatively strong, if not dominant position as principal market center for retail and mid-level services for northeast New Mexico. This has created jobs and provided a relatively stable fiscal base for local governments. But as with public sector employment, San Miguel County's long term dependency on its regional position may prove to be a vulnerability as northeast New Mexico appears to have entered what may be long term stagnation.

Shift-share analysis clearly demonstrated the implications of San Miguel County's over-dependence on the northeast New Mexico market. During recent years San Miguel County strengthen its market position relative to the other counties in northeast New Mexico and all things being equal, this alone should have accounted for significant employment growth. However, during the same years the size of this market declined, cutting into employment gains that San Miguel County might have expected. If the decline in size of the market continues or accelerates, any increases in 'market share' will be more than offset by a loss of market scale that is beyond the county's control.

Demographic change and the 'graying' of the labor force

Perhaps most challenging (and controversial) shift from historical advantage to present vulnerability is cultural and demographic. Historically, San Miguel County's strong identity and sense of place contributed to a stable, if not dynamic, economic environment. In this situation, individuals and families had a clear sense of how they were meet to their obligations and prepare for their future. The strong social web served as a safety net against short term economic fluctuations.

However, San Miguel County faces an accelerating shift in the structure of its population. The median age in the county is three older than the statewide population. There are fewer children, resulting in declining school enrollments, while a greater share of the population is over 65 years of age. Among those between the ages of 25 and 64, the labor force participation rate is remarkably low (64 percent in San Miguel County compared to 75 percent throughout New Mexico). Most troubling, the region has been unable to retain those coming of working age, particularly recent college graduates, putting the region at a marked disadvantage as more 'flexible' management practices are implemented and innovation and technical change emerge as more central factors in increased productivity. Given the strong presence of educational institutions, these trends are especially disappointing. At the same time, there is early evidence of a gradual shift in the ethnic composition of the county's population. Since 1990, the rate of growth of the Anglo population has far exceeded that of the Hispanic population, though

Hispanics still account for more than three-quarters of county residents. Finally, there has a slight geographical shift within the county, as population growth has been relatively more concentrated in unincorporated areas of the county during recent years.

Together, these changes bring into question the viability of long standing social and economic practices in the county. The passing of land, labor skills and employment opportunities from generation to generation, within families and local communities, seems less pertinent today than in the past. The land is less valuable for cultivation, the skills less applicable, and jobs less stable, encouraging the younger generation to look elsewhere for opportunities. This leaves a labor force less flexible and often without necessary technical qualification, and a community without the inter-generation web of support upon which it has historically relied.

Recommendations: toward economic revitalization

The main problem facing San Miguel County is the persistence of low wages. Low wages both compromise the quality of life for residents and encourage qualified workers, especially those just entering the labor force, to look elsewhere for economic opportunity. This creates a negative cycle – the loss of qualified workers undermines the capacity of the economy to attract and create new, higher paying jobs; and the failure to generate higher paying jobs encourages the flight of qualified labor. The focus of any economic development strategy should be to break this cycle, and it should begin from both ends by attracting and creating higher wage jobs and developing programs to encourage young qualified workers to remain in the community.

Creating higher paying jobs

Although the county should continue to make every effort to retain and attract new public sector jobs, employment creation initiatives should center on the private sector. In the short term, initiatives should focus on efforts to limit revenue leakage to shore up public finances; for the medium term, recruiting industry in export sectors, which could both help to generate higher paying jobs and taxable gross receipts; and for longer term, continue support of the development of homegrown businesses, particularly businesses that draw upon the region's rich historical and cultural assets and that contribute to a more vibrant cultural environment attractive to younger workers. Drawing together the findings of this report, we consider each approach in turn.

Plugging leaks

According to the pull factor analysis in Section 7, about one-third of expected expenditures flow out of San Miguel County, representing a net loss of about \$185 million per year to county-based businesses. Professional, scientific and technical services accounts for the largest share of the loss, but given the technical nature of these activities short term improvements are unlikely; with longer term improvements in the capacity of the local labor force, strategies in this area may be reconsidered. Retail and wholesale trade are the only sectors any real promise of short term improvement, unless there is a localized recovery in the construction sector. However, retail is more and more difficult to address, as 'big boxes' tend to be increasingly

response to only market conditions (e.g. incomes, household demographics, and so on) and smaller retailers find it more difficult to compete in these markets. A small but meaningful start may be in smaller niche markets in which larger retailers do not compete. Development of farmers markets, which directly link agricultural producers with local customers. In sum, stemming the leakage of retail expenditures in short term may help to stabilize public finances, but this strategy is unlikely to result in a fundamental revitalization of the economy of the city and county. This will require more bold initiatives that focus on tapping external markets.

Recruiting and developing export-oriented industries

The development of industries with markets that extend beyond northeast New Mexico is essential to the long term revitalization of San Miguel County's economy. While plugging revenue leakages contributes to economic growth, the development of export markets can effectively offset any such leakages and provide much greater opportunity for growth over the local term. In the case of San Miguel County, it is critical that export markets extend beyond northeast New Mexico. As argued throughout this report, the local market shows few signs of growth and even successful efforts to strengthen the presence of San Miguel County-based businesses in this market will yield few benefits in the long term. But more generally,

There are at least three sectors in which San Miguel County may have a competitive advantage in the development of export-oriented businesses. They are very different, and allow for diverse strategy.

- Alternative energy, including bio-fuels, wind and solar, is a very attractive option for the county. First, the markets for these industries are exports from the county, which mean that they have the potential draw in revenues and create net new jobs. Second, compared local retail and service jobs, wages for these new jobs should be relatively high. Third, as new industries the county faces relatively little competition from areas that established advantages in terms of infrastructure, workforce skills and other factors. Fourth, wind and solar do not require significant water resources, a severely limited factor in San Miguel County. And most importantly, energy industries depend heavily (or entirely) on resources that are necessarily local and cannot be relocated. This means that the jobs are likely to stick around, and it puts the county in a very strong position for the long term.
- Health care is the county's brightest economic star. Analysis of taxable gross receipts (section 6), which only partially account for activity in the sector, have increased steadily in the county's health care sector. With the growth of health care receipts during the past decade the sector now shows a positive balance, drawing an increasing amount of money into the county on a net. Further, shift-share analysis (section 7) shows that the local health care industry has benefitted from a number of factors. First, the industry is growing nationally and by all accounts it will continue to grow. Second, growth in the health care sector has been stronger in San Miguel County than in most other areas, including U.S. as a whole, of New Mexico and most dramatically, the northeast New Mexico regional market. This is likely tied to regional migration across the U.S., with a growing

number of retirees relocating to the southwest, creating local demand for services. Another advantage in the development of the health care industry is that wages are relatively high. A final benefit of a strong health care and social assistance industry is that it tends to be associated with, and contributes to, the growth of other industries. In an increasingly mobile society, particularly with the mobility of retirees, a strong health sector can be a very powerful draw.

- The hospitality sector has long been important to San Miguel County but the data surveyed in the shift-share analysis (section 7) suggest that the county has begun to lose its advantage in the regional economy. Yet, there are good reasons to reinvest in this sector. The single most important benefit of the hospitality sector to the local economy is that it draws revenues into the county on a net basis. A second benefit is that Las Vegas, the economic center of the county, lies along I-25, and thus provides ready access to a potentially large market. A third benefit is that hospitality is a growth industry nationally and regionally. Historically, hospitality has also been a strength for New Mexico, and San Miguel County will likely continue to benefit from this association. Finally, development of the hospitality sector can have secondary benefits in supporting the development of related industries, in particular arts, entertainment and recreation.

Developing homegrown industry

The development of homegrown or bottom up industries is a longer term initiative, but there several advantages that make it worthwhile. The costs of supporting its development are typically lower, because the community does not have to offer incentives in competition with other regions. Locally developed businesses are much more likely to stick around, as the key people involved are themselves local and their particular advantage is in knowing resources and markets in the area. Finally, locally developed businesses are typically embedded with a larger network of local collaborators, suppliers and markets. Again, this means that they are less likely to move, but it also means that their growth enriches the community as whole.

The development of any new industry requires a focus on areas in which the region has a competitive advantage. This means identifying resources that distinguish the region, giving it a sustainable advantage. In San Miguel County, the distinguishing characteristics are its landscape, natural resources and its people, history and culture. The development of alternative energy directly benefits from locally available resources. This was discussed above. Other options include:

- Value-added activities that utilize the region's otherwise undervalued and underused timber resources. With the support of the state and the USDA Rural Development program, the county has made a substantial investment in an ideally situated 143-acre site the development of the Northern New Mexico Wood Business Park. The focus of this initiative should be on value-added production, such as high quality building materials and other wood product industries such as furniture that draw upon the county's unique set of craft skills.

- Arts and cultural industries should also receive the continued support of the local economic development community. During recent years the county and Las Vegas have made significant strides in developing its arts and cultural sector, including the establishment of one of New Mexico's first state-authorized Arts and Cultural Districts. There are significant market opportunities for arts and cultural industries in San Miguel County and Las Vegas: connecting to established markets in Santa Fe and Taos, drawing from the middle Rio Grande area, including Albuquerque, and linking to the wider southwest markets.

Arts and cultural industries perfectly illustrate the many advantages of place-based economic development. They are not easily replicated or relocated. They serve to maintain the distinctive character of the place, which further re-enforces its value in cultural markets. They engage the imagination of entrepreneurs with a history in the community. And they contribute to the development of an environment is attractive to a talented young labor force.

Retaining a qualified labor force

The retention of a qualified labor force is at the heart of all issues discussed in this report. It is intricately tied to job creation – jobs chase qualified labor, and qualified labor chases jobs. This is especially true in the present economy, in which 'flexible' workforce and management practices are aggressively implemented and technical change and innovation are the central factors in increasing productivity.

In San Miguel County and Las Vegas, the retention of young, well-educated adults just entering the labor force is perhaps the principal challenge facing the region's economic development community. As difficult as it is, the county has several key advantages compared to many other small communities in New Mexico. The presence New Mexico Highlands University and Luna Community means that the areas begins a potential pool of qualified workers – better to face the challenge of retention than of recruitment. The region has a rich and colorful history, and a distinctive cultural environment which is attractive to many young adults. The development of a regional cultural economy will serve to enhance this advantage. Finally, Las Vegas in particular is well situated. It is a relatively short drive to Santa Fe and not too much further to Albuquerque, allowing residents opportunities to benefit from availability of resources not found in more remote areas of the state.

Ultimately, the challenge facing San Miguel County in economic development initiatives, including the retention of labor, is to draw together its locally distinctive assets – its history and culture, climate and landscape, people and institutions – in forming a cohesive vision of the future of the local economy in relation to the state and national economy. This must involve addressing the often unspoken differences that divide the community. The companion part of this study, focusing on the institutional framework of the county's economic development community, focuses on this central challenge.

APPENDIX

TABLE A1: PECOS GROSS RECEIPTS, 2005-2009

TAXABLE GROSS RECEIPTS (PLUS FOOD & MEDICAL DEDUCTIONS)					
Industry	2005	2006	2007	2008	2009
Construction	1,549,077	3,541,606	5,755,956	5,628,047	3,334,792
Building, Developing, Contracting	*	2,979,240	2,955,564	2,779,497	2,319,702
Special Trade Contractors	885,287	187,126	2,330,295	1,601,274	395,002
Manufacturing	87,961	81,287	199,027	186,522	96,131
Wholesale Trade	8,297	12,534	9,597	6,332	27,368
Retail Trade	3,949,673	3,923,198	4,211,167	3,500,978	3,610,633
Transportation and Warehousing	*	*	*	*	394,459
Information and Cultural Industries	406,390	92,709	409,814	380,662	587,426
Real Estate and Rental and Leasing	*	416,629	543,565	278,906	456,740
Professional & Technical Services	33,774	99,407	151,019	341,897	335,684
Accommodation and Food Services	1,376,311	1,243,882	1,272,457	1,131,814	1,244,412
Other Services	1,152,401	780,086	1,114,818	1,532,467	1,344,229
Grand Total	9,582,186	11,522,144	14,715,426	14,036,084	12,864,145

TABLE A1 (CONTINUED): PECOS PULL FACTORS AND NET GAINS AND LOSSES, 2005-2009

Industry	PULL FACTOR					NET GAIN/LOSS				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Construction	41%	80%	138%	138%	102%	(2,191,918)	(863,908)	1,573,597	1,540,473	74,273
Building, Developing, Contracting	NA	125%	138%	139%	147%	NA	599,911	820,584	778,021	746,888
Special Trade Contractors	85%	16%	203%	143%	44%	(158,653)	(999,828)	1,181,430	479,314	(507,062)
Manufacturing	13%	10%	26%	25%	16%	(580,146)	(703,862)	(578,881)	(571,883)	(512,256)
Wholesale Trade	1%	1%	1%	0%	3%	(1,557,607)	(1,681,328)	(1,476,214)	(1,490,119)	(1,055,514)
Retail Trade	48%	47%	50%	41%	46%	(4,276,557)	(4,399,083)	(4,132,203)	(5,010,594)	(4,313,773)
Transportation and Warehousing	NA	NA	NA	NA	117%	NA	NA	NA	NA	58,207
Information and Cultural Industries	75%	15%	67%	57%	66%	(138,364)	(529,486)	(200,121)	(287,525)	(303,952)
Real Estate and Rental and Leasing	NA	94%	119%	64%	123%	NA	(27,574)	87,699	(157,190)	86,476
Professional & Technical Services	1%	4%	6%	13%	14%	(2,546,498)	(2,368,583)	(2,257,970)	(2,267,925)	(2,034,393)
Accommodation and Food Services	80%	70%	72%	63%	74%	(336,079)	(524,021)	(483,648)	(678,704)	(448,406)
Other Services	34%	22%	34%	45%	54%	(2,252,712)	(2,754,488)	(2,201,575)	(1,841,310)	(1,138,218)
Grand Total	35%	39%	51%	48%	49%	(17,638,344)	(17,668,074)	(13,959,025)	(15,509,105)	(13,459,638)

Source: State of New Mexico Taxation and Revenue Department Combined Reporting System; Report No. 80, Quarterly Reports, 2005-2009; Aggregations and calculations, UNM-BBER 2010.