Strengthening Economies in the Southwest Border Region

The U.S. southwest border region, spanning up to 150 miles from the U.S.-Mexico border, is home to millions of Americans whose communities reflect a wealth of cultures and experiences. It is a highly international region, where residents of partner countries travel between sister cities each day to work, shop, and visit family and friends. It is also a region that is central to economic prosperity across the United States, given Mexico is the United States' second largest trading partner after Canada, and trade across this border supports an estimated 5 million jobs throughout the United States.

Communities along the border regularly demonstrate their strength and resilience, and they deserve the level of federal and business investment that flows to other regions of the United States. The Southwest Border Regional Commission (SBRC) is a strong mechanism to bring in the investment that will help border communities thrive. Created by Congress in 2008, the SBRC secured its first funding in 2020, and then in December 2022 secured the nomination and Senate confirmation of the first-ever SBRC Federal Co-Chair, Juan Eduardo Sanchez. Despite these important steps, the SBRC remains extremely underfunded, having received only $9 million in total appropriations since 2008 compared to the $34 million and $349 million that went to similar commissions created in the same year. Moreover, regional commissions with robust funding have shown that such institutions successfully achieve development goals. As a fully funded commission, the SBRC will offer a critical opportunity to channel new investment into job creation and infrastructure, and better establish the border region as a hub of economic progress.

Infrastructure Investment Provides a Foundation for Growth

Border communities are resilient, resourceful, and contribute significantly to the United States

The border region is a center of intersecting cultures and communities. Many Tribal Nations live in this region, primarily in Arizona, California and New Mexico and the wider region's cultural mixture—with its strong Mexican, Indigenous, and Spanish roots—has had a substantial influence on U.S. culture beyond the border. Residents also highlight that local communities, given their diversity and proximity to Mexico, have an "important degree of cultural adaptiveness and tolerance," embodying core American values that many in the nation work to uphold.

In addition to this openness and wealth of culture, communities in the region are characterized by local-level self-reliance, mutual support, and advocacy. Over the past decades local officials, grassroots organizations and Tribal Nations have worked to bring critical infrastructure to their communities—or have built that infrastructure themselves. For example, communities in Texas have built local housing and water infrastructure, as well as created nationally-lauded workforce development programs. New Mexican organizations have also funded business infrastructure to support future manufacturing in the region, and advocates have won grants for rural broadband infrastructure, while also building up relevant skill training for local workers.

Limited access to critical infrastructure challenges prosperity in the region.

Still, more large-scale public investment is necessary for the region. Many communities work every day to contribute to the economy and support their families, while overcoming obstacles that result from a lack of public infrastructure. Fannie Mae and the Housing Assistance Council has recently defined over half of the land area within 150 miles of the U.S.-Mexico border as “Colonias Investment Areas.” These are rural areas that have limited access to necessary infrastructure including sewer and potable water systems, paved roads, and quality housing.

Texas is home to the largest number of communities living in a Colonias Investment Area, though New Mexico has the highest share (nearly 60%) of its overall border population living in such areas. Residents in these areas, as well as many in the wider border region including Tribal Nations at or near to the border, face unique health care challenges that can contribute to higher rates of illness. Lack of access to clean water, and having to drive long distances to access food and medical care contribute to elevated rates. Moreover, lack of critical infrastructure limits business growth, and in turn, local access to well-paying jobs.

Coordinated public investment can spur more critical infrastructure construction.

These challenges are highly concerning, but they are solvable. In addition to state and local funding, there are multiple federal funding sources available to the region. These sources have already proven successful at building out critical infrastructure. The U.S.-Mexico Border Water Infrastructure Grant Program (BWIP), created in the 1990s, has given 70,000 homes access to safe drinking water and has provided over 670,000 homes with first-time access to wastewater collection and treatment services. The Border 2025: U.S.-Mexico Environmental Program also supports communities in designing and implementing infrastructure projects that protect residents’ health and the environment in the border region. President Biden’s Bipartisan Infrastructure Law (BIL) also has funding for transportation and water projects available for border states, and has already funded multiple critical infrastructure projects in the region.

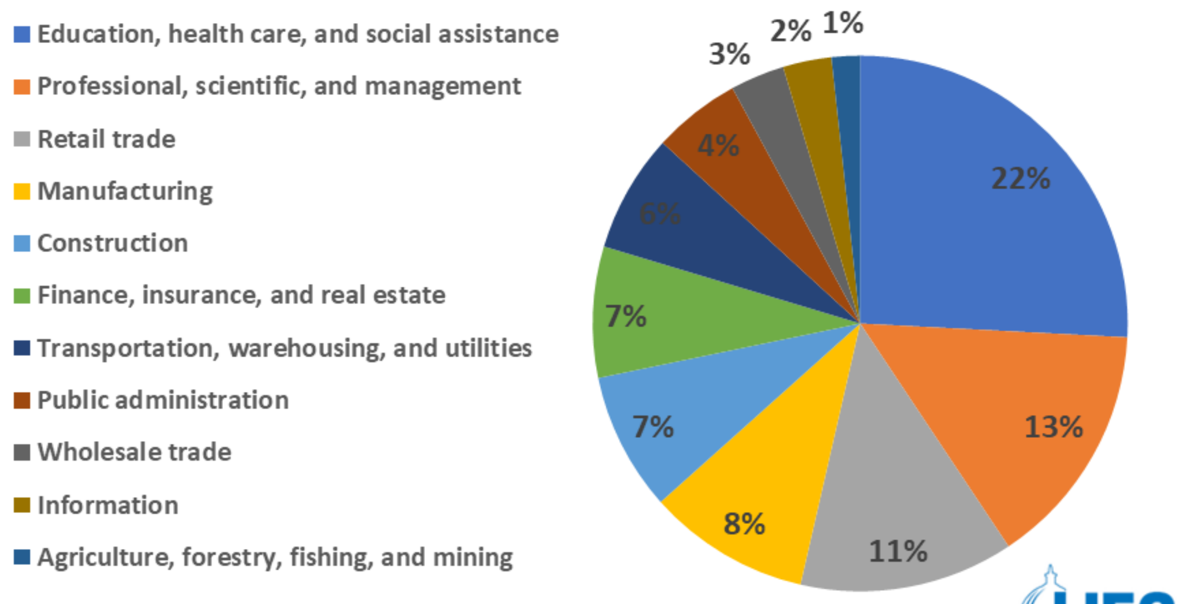
With access to critical infrastructure, the border region’s young and diverse population is well-positioned to make major contributions to society, as many prominent scientists from the region—including trailblazing women scientists—educators, and activists have shown. Yet, many regional communities face limited work opportunities. Increasing local access to trade-related jobs, enhancing industry diversity, and building up workforce development programs will benefit communities in the border region, and in turn, the nation as a whole.

The Border Region Has Major Advantages for Key U.S. Industries

Trade in the border region is an engine for growth in the United States, and with new investment in trade-related industries, border communities can draw on this regional advantage.

Billions of dollars in U.S. trade move through southwestern ports of entry every year. The southwestern border is home to 47 active land ports of entry. The United States imported $318 billion of commercial cargo alone through these ports in 2019. Over one million jobs in southwestern border states are tied to trade with Mexico, as it is the top trading partner for Texas, New Mexico, and Arizona. Additionally, Mexico is California's second largest trading partner and is its largest export destination.

By far the highest share of employment in the southwestern border region is in the education, healthcare, and social services sector



Source: 2021 Census ACS 5-year survey

There is great potential for local business growth and an increase in regional job opportunities from trade. However, uneven development of trade-related sectors across the country has historically prevented many border counties from realizing that potential**.** A Wilson Center report notes that while there is a presence of "strong logistics industries" for binational trade along the border, the report found less trade-related industry than the authors expected. Specifically, they describe "fewer signs of deep supply chain connections" or non-logistics services associated with cross-border trade. As the graph above shows, JEC analysis found that within the current SBRC border region (see the map on page 5) the largest employers are in the education, health care and social assistance sector, the professional, management and scientific sector, and the retail sector, rather than sectors directly related to trade. Together, these findings indicate that job growth could benefit from more regional business coordination and trade-related industry investment.

Trade infrastructure and transportation investment can serve as a driver of economic growth for more counties in the southwest border region.

A modern enhancement in trade infrastructure can help to ensure more of the border region benefits from trade. Efficiency improvements at Land Ports of Entry (LPOEs), for example, can facilitate the flow of persons and goods through the border, thereby increasing the nation's commerce and boosting income for regional business. According to a report by the Atlantic Council, infrastructure updates that reduce wait times by 10 minutes could lead to an additional $312 million in increased commerce from Mexico to the United States each year, 75% of which would benefit communities in border states. Such infrastructure improvements could include technology enhancements to speed up vehicle screening at local LPOEs and other modernization efforts. The Bipartisan Infrastructure Law (BIL) provided $3.4 billion for the modernization of 26 ports of entry, six of which are located in southwestern border states. As such, federal funds are already available for LPOE improvements that could lead to more business growth in the region.

Investment in LPOEs has already allowed certain cities and counties in the border region to increase their economic activity and employment. For example, following announcements of New Mexico's Santa Teresa LPOE expansion and federal investment in the connecting highway, new businesses have been moving to the region. In McAllen, Texas, trade and transportation have contributed significantly to job creation following the Anzalduas LPOE expansion project in the area, and plans to modernize LPOEs in Arizona are expected to increase jobs and enhance access to broadband in rural areas. As border states work with federal entities to identify areas for future investment, policymakers could include guidance that funding for LPOE enhancements leads to a target level of local job creation.

Investment in new local industry can also chart a path to greater regional prosperity.

Notably, many other industries can thrive in the border region, creating a larger number of jobs available for local residents. Public investment can help harness that potential. Analyses within the New Mexico Economic Development Department's 20-year strategic plan concluded that its border counties could facilitate local growth in sustainable energy, agriculture, manufacturing, and aerospace industries.

More specifically, the southwest border region offers great potential for renewable energy manufacturing and production. Solar power production is one prime area for business growth, given the high levels of average annual sunlight in the area. Wind is already an important source of renewable electricity in border states, and companies that build wind turbine components would bring added investment and employment opportunities. Increased cooperation in the region between the United States and Mexico in manufacturing and installing solar panels, or in building wind turbine components can also support economic development in both countries. Battery manufacturing—essential for energy storage—is another growing clean energy sector in some border states. Importantly, many parts of the southwest border region qualify for more generous clean energy tax credits created by Inflation Reduction Act, which makes clean energy development and related manufacturing more economical in these communities.

There are financing sources that can support infrastructure development for new industry in the region, some of which focus on clean energy and the environment. For example, the North American Development Bank (NADBank) provides funds and technical assistance for border communities to finance environmental infrastructure projects. Various programs at NADBank give priority to water infrastructure projects, sustainable energy, green manufacturing, and other projects related to climate change and adaptation.

Education programs can prepare workers for sectors requiring new sets of skills.

As investment attracts new industry to the border region, workforce development programs will help ensure that new jobs go to residents in the region. Programs like the Job Training Incentive Program (JTIP) or Local Economic Development Act (LEDA) in New Mexico grow border economies by simultaneously training workers and building out business. LEDA supports expansion or relocation of business that will stimulate economic development, while JTIP reimburses a significant share of employee wages for companies that manufacture or produce goods in New Mexico. From fiscal year 2016 to fiscal year 2021 alone, LEDA created 10,621 jobs. Similar programs, tailored to provide the skillsets needed to engage in the region's development, could ensure more residents would share in the region's success.

Given the resources and prospects for growth laid out above, the SBRC is an ideal tool for large-scale, coordinated, multi-level government and private investment in people, business and infrastructure, to help direct funding and efforts towards the region's shared economic goals.

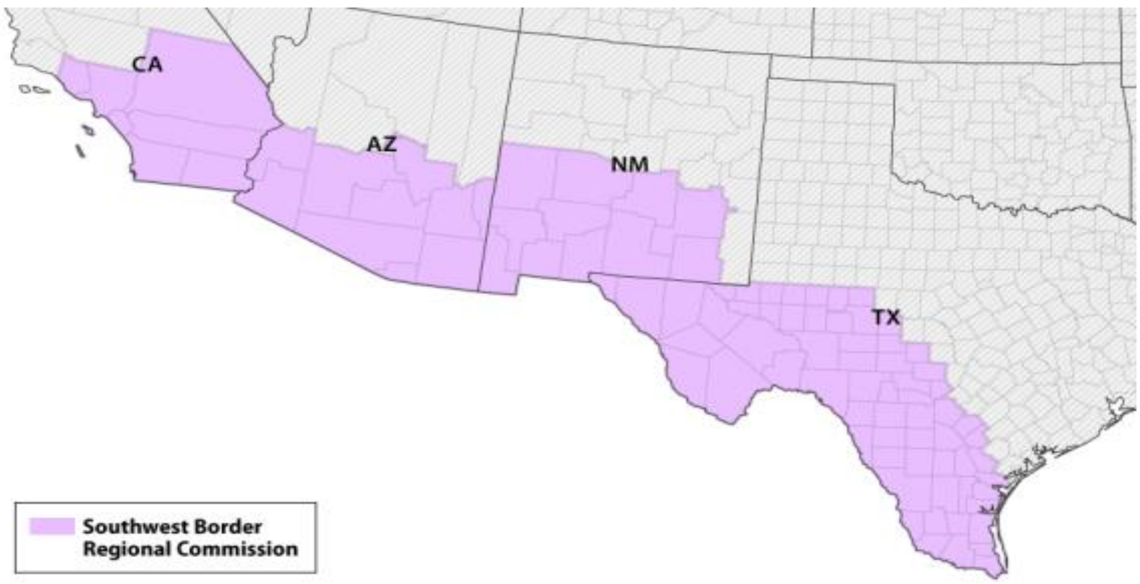
The Southwest Border Regional Commission: A Tool to Enhance Economic Prosperity

The Southwest Border Regional Commission, with its focus on poverty and underdevelopment, can help spur equitable growth in the region.

Modeled after the Appalachian Regional Commission (ARC) established in 1964, the SBRC was created under the Food, Conservation and Energy Act of 2008 with the purpose of supporting distressed communities along the border. Its jurisdiction currently includes 93 counties. By law, the SBRC must prioritize development aid to counties in the region that it finds to be "distressed" or "transitional", as well as to areas of isolated economic distress. These counties or areas are currently dealing with acute economic hardship, including high rates of poverty, unemployment and outmigration.

The SBRC was created to act as a central hub for research on the region's economy, a generator for regional development strategy, and a major source of development funding. In addition to gathering research from state and local sources, the SBRC has the authority to hold hearings on the region's development. The commission will also support states in creating state-level development plans, as well as in drafting state-level legislation that will help spur local and regional development. Importantly, the commission has the ability to approve grants for development projects that align with its regional strategy. Such projects include those focused on transportation and telecommunications infrastructure, job skills training and education related to entrepreneurship, technology, and business development, and development of renewable or alternative energy sources.

Counties Under the Jurisdiction of the Southwest Border Regional Commission



Source: The Congressional Research Service, https://crsreports.congress.gov/product/pdf/R/R45997

Existing regional commissions show that a fully funded and active SBRC can support important economic development goals.

Empirical studies have shown that regional commissions, created with objectives similar to that of the SBRC, have been successful in alleviating poverty in their designated regions. For example, a study of the ARC surveying 26 years of data found that population, earnings, total income and per capita income all increased in counties with ARC programs, relative to similar counties that did not have ARC programs. Another study on the Delta Regional Authority (DRA), which is focused on economic development in the Mississippi River Valley, found that the DRA had an overall positive impact on the economy in terms of lowering unemployment, spurring growth in annual median income, and decreasing child poverty in the region.

The two other commissions created under the same bill as the SBRC, with identical authorizing language, also provide examples of how commissions can help regions thrive. The Northern Border Regional Commission (NBRC) and the Southeast Crescent Regional Commission (SCRC) became active in 2010 and 2021, respectively, and both have received funding since 2010. The accumulated federal funding for the NBRC up through fiscal year (FY) 2023 was $348.5 million, and $33.75 million for the SCRC, compared to only $9 million for the SBRC. From these funds, the NBRC has reported allocating over $30 million towards projects in the first seven years of activity. Annual allocations have since been increasing, growing from $11.5 million in 2018 to over $24 million in 2022. The SCRC also announced recently that it would make $20 million available for project funding.

The Southwest Border Regional Commission's Investments Can Increase Employment, Income, and Job Growth		
Statistic of Interest	**National**	**SBRC Region**
Median Household Income	$69,021.00	$52,647
Poverty Rate	12.6%	13.9%
Unemployment Rate	5.5%	6.4%
Median Age	38.40	36.20
Source: 2017-2021 American Community Survey (5-year) estimates, Congressional Research Service and Joint Economic Committee calculations.		

Southwestern border communities could greatly benefit from similar investments, however the SBRC continues to be inactive and underfunded. A commission cannot become active without a “State Co-chairperson” and a “Federal Co-chairperson” to lead it. While the SBRC’s board members—state governors within the SBRC’s jurisdiction—elect the State Co-chairperson from among themselves, the U.S. President appoints the Federal Co-Chairperson, whom the Senate confirms. The SBRC’s federal co-chair was not confirmed until December 2022. As of March 2023, the Congressional Research Service noted that the SBRC was the only of the three commissions authorized in the 2008 legislation to still be inactive.

Enacting legislation also authorized the same level of appropriations for each the three commissions, at an annual level of $30 million through FY2018, and $33 million annually from FY2019 to the present. Yet the SBRC only began to receive funding in 2021, and, as mentioned above, it currently has only $9 million in accumulated appropriations. Nominally and in real terms, this is equivalent to 26 cents per resident within the covered counties. Moreover, in real terms, it is the lowest per capita amount of funding appropriated among all regional commissions receiving funding, aside from that of the Northern Great Plains Regional Authority.

The SBRC is up for reauthorization this year. If given the chance to become active, and if provided the funding equal to that of its counterparts, the SBRC has the potential to finance much-needed infrastructure, health care and work development programs in the region. Like the other commissions before it, Congress has the chance to give the SBRC the opportunity to combat past barriers to economic growth and take advantage of the potential in the region, for the benefit of its people and the nation as a whole.

Appropriations for the SBRC Lag Behind the Funding Levels of Many Other Commissions

Statistic of Interest	Southwest Border Regional Commission	Northern Border Regional Commission	Southeast Crescent Regional Commission	Northern Great Plains Regional Authority	Delta Regional Authority	Denali Commission	Appalachian Regional Commission
Authorization Year (Fiscal Year)	2008	2008	2008	2002	2001	1998	1965
Total Appropriations Since 1990 (Nominal)	$9M	$349M	$34M	$3M	$540M	$684M	$4,703M
Total Appropriations Since 1990 (2023 Dollars)	$9.2M	$380M	$35M	$4.8M	$659M	$976M	$7,372M
Total Population	35,054,480	4,185,020	50,951,318	17,936,099	9,797,619	735,951	26,064,622
Per Capita Total Appropriations (Nominal)	$0.26	$83.27	$0.66	$0.17	$55.12	$929.04	$180.44
Per Capita Total Appropriations (2023 Dollars)	**$0.26**	**$90.90**	**$0.69**	**$0.26**	**$67.24**	**$1,325.85**	**$282.84**

Source: Total Population data are from the 2017-2021 American Community Survey 5-year estimates and Congressional Research Service calculations. Appropriations data were collected by the Congressional Research Service. Additional data are from Joint Economic Committee calculations.

Note: The Great Lakes Authority is not included, as it has not yet received appropriations