

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/10

SPONSOR Lujan, B LAST UPDATED _____ HB 7

SHORT TITLE Development Training Funding SB _____

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$10,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB312
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
Economic Development Department (EDD)
Public Education Department (PED)
Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 7 appropriates ten million dollars (\$10,000,000) from the general fund to the economic development training fund for a development training program providing classroom and in-plant training to furnish qualified human resources for certain new or expanding industries and businesses in the state. The bill declares an emergency.

FISCAL IMPLICATIONS

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

House Bill 7 – Page 2

The appropriation of ten million dollars (\$10,000,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

The appropriation in this bill relates to recommendations for the FY10 the General Appropriation Act (House Bill 2) including \$3.4 million in the LFC recommendation for this purpose. The executive recommendation includes \$3 million.

Money appropriated to the development training fund is administered by the Economic Development Department's (EDD) Job Training Incentive Program (JTIP) and according to Section 21-19-7 NMSA monies in the fund shall not be transferred to any other fund or be encumbered or disbursed in any manner except as specified in the statute. Money in the fund shall not revert at the end of any fiscal year. Up to two million dollars (\$2,000,000) of development training funds may be used to reimburse film and multimedia production companies and to provide pre-employment training for that industry pursuant to the provisions of Section 21-19-7.1 NMSA 1978.

SIGNIFICANT ISSUES

Despite the increasing demand for funding from JTIP since 2001, the annual appropriation has declined. EDD is concerned about the ability to meet the needs of the newly announced jobs, and those still in the pipeline.

JTIP is primarily a company recruitment tool. EDD and the Economic Development Partnership, a private nonprofit created in statute, market the program to prospective companies as an incentive to relocate or expand operations in New Mexico. JTIP reimburses qualifying companies 50 to 80 percent of the wages paid to newly hired employees for up to six months. The program also provides an incentive for companies to hire eligible trainees; those that have lived in New Mexico for one continuous year at any time of their lives.

According to EDD:

The following companies are among the many that have located and/or expanded in New Mexico based in large part on the availability of JTIP funds – Signet Solar (Belen), Results (Las Vegas), Pre-Check (Alamogordo), American Medical Alert Corp. (Clovis), Menlo Logistics (Santa Teresa), Hewlett Packard (Rio Rancho), Fidelity Investments (Albuquerque), Schott Solar (Albuquerque), and Verizon Wireless (Albuquerque). These companies alone have committed to create approximately 5,500 jobs over the next few years.

As of January 1, 2009, the development training fund had a cash balance of \$13.2 million. Of this amount \$12.5 is obligated, leaving a balance of about \$790-thousand for the remainder of FY09. This balance may not be sufficient to cover the projects in the pipeline for JTIP and film industry for the remainder of the fiscal year.

PERFORMANCE IMPLICATIONS

EDD notes that the demand for JTIP has increased significantly since the late 90's when JTIP funded an average of 30 projects per year. The number of projects per year now averages 65.

EDD is also focused on creating quality jobs for New Mexicans. JTIP reimburses a percentage of the wage paid to trainees and as the wage increases, so does the demand for funds. The average wage of JTIP participants has increased from \$11.94 in 2006 to \$18.98 (59%) in 2009.

By statute, EDD has focused on promoting incentives to rural businesses and thus, the overall rural performance has improved significantly. The number of jobs created in rural areas has increased by 64% since 2005; the number of projects funded in rural parts of New Mexico has increased by 44% and the average wage of trainees employed by companies located in rural areas of the state has improved by 8% in 3 years.

ADMINISTRATIVE IMPLICATIONS

While EDD administers JTIP funds, the Industrial Training Board, which is statutorily created, is responsible for establishing policy, promulgating rules and making expenditure decisions.

The Public Education Department (PED) estimates cost of approximately \$220.00 per year for travel every other month to Albuquerque (120 miles X \$0.32/mile X 6 months) and one day per month of staff time to review JTIP proposals.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The General Appropriation Act (House Bill 2) includes \$3.4 million for this purpose, as recommended by LFC. The executive recommended \$3 million.

Relates to HB312

OTHER SUBSTANTIVE ISSUES

A recent study cited by HED, suggests that many program trainees move on to higher-wage jobs. Wages in the year immediately after JTIP participation were, on average, \$5,812 (37 percent) higher than they were in the year immediately before. More significantly, the wages of rural trainees increased by almost 49 percent, or \$4,124 per year. The average wages of urban trainees increased by 35 percent, or \$6,418. These results demonstrate a long-term, positive impact on earning for trainees who remain with their JTIP employer as well as those who move on.

<http://gonm.biz/businessAssistance/jobTraining/programResults/index.html>

According to the aforementioned EDD report, a four-year analysis demonstrates that of the 272 projects that were funded, 28% were in rural areas while the remaining 72% were in urban areas.

Funds made available by JTIP are often instrumental in companies' decisions to locate or expand in New Mexico. The following companies are among the many that have located and/or expanded in New Mexico based in large part on the availability of JTIP funds – Signet Solar (Belen), Results (Las Vegas), Pre-Check (Alamogordo), American Medical Alert Corp. (Clovis), Menlo Logistics (Santa Teresa), Hewlett Packard (Rio Rancho), Fidelity Investments (Albuquerque), Schott Solar (Albuquerque) and Verizon Wireless (Albuquerque). These companies have committed to create approximately 5,500 jobs over the next few years.

For 2009, PED is developing a specific program of study geared to the film industry in conjunction with secondary, postsecondary and the New Mexico Film Commission.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

EDD and the economic development organizations throughout the state consider JTIP a premier incentive program which directly supports economic growth and the creation of new jobs for New Mexicans. The program requires additional funding to continue to meet the demand of those projects already on the queue for the remainder of FY09 and FY10.

DL/mt