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## FISCAL IMPACT REPORT

ORIGINAL DATE 03/19/09

SPONSOR HAFC LAST UPDATED \_\_\_\_\_ HB 622/HAFC

SHORT TITLE Green Jobs Act SB \_\_\_\_\_

ANALYST Williams

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI	Recurring	General Fund
	\$4.0 million	Nonrecurring	Green Jobs Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$4.0 million		Nonrecurring	Green Jobs Fund (see discussion)

(Parenthesis ( ) Indicate Revenue Decreases)

Note: The federal government has approved \$500 million for distribution across the United States to prepare workers for efficiency and renewable energy careers and the remaining is for preparation of workers in the health sector. Based on per capita and population rates, HED estimates New Mexico could receive an estimated \$4 million for green jobs training; however, funding will be awarded via competitive grants.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$0.1	\$0.1	\$0.1	Recurring	Green Jobs Fund (see discussion)

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 288, SB 318, SB 420, SJM 13; HB 312, HB 569, HB 570

## SOURCES OF INFORMATION

LFC Files

### Responses Received From

Higher Education Department (HED)

Department of Workforce Solutions (DWS)

Public Education Department (PED)

Energy, Minerals and Natural Resources Department (EMNRD)

Environment Department (NMED)

## SUMMARY

### Synopsis of Bill

House Appropriations and Finance Committee Substitute for House Bill 622 authorizes the “Green Jobs Act” and directs HED to “develop a state plan for the development of green jobs training programs with a focus on rural and tribal communities no later than the end of fiscal year 2010.” These programs are to be coordinated with existing apprenticeship programs administered by HED and PED. The plan would focus on: 1) a state research program, jointly with the Department of Workforce Solutions, to collect and analyze workforce trends from renewable energy, energy-efficient industries and energy-related initiatives; 2) a municipal and tribal energy training partnership program and 3) a “pathways out of poverty” program. The programs will include training and support services, including child care, tuition, materials, counseling and mentoring services; internships and job placement programs.

“Green industries” are defined in the bill as those “that contribute directly to preserving or enhancing environmental quality by reducing waste and pollution or producing sustainable products using sustainable processes and materials and that provide opportunities for advancement along a career track of increasing skills and wages.” Examples are cited in the bill.

The bill creates the “green jobs fund” which will consist of funds received pursuant to the federal Green Jobs Act of 2007 and other monies. The fund will be administered by the Department of Finance and Administration.

The bill intends for these funds to be targeted towards the training of “disadvantaged individuals, including:

1. low-income individuals;
2. veterans;
3. formerly incarcerated, nonviolent offenders;
4. tribal and rural constituencies;
5. workers adversely affected by changing national or state energy policy;
6. at-risk youth;
7. unemployed youth and adults;
8. high school dropouts; or
9. single mothers.”

HED is required to provide an annual report to the Legislature and the Governor by December 1<sup>st</sup> of each year summarizing the prior fiscal year's activities in administering the provisions of the Green Jobs Act.”

## **FISCAL IMPLICATIONS**

This bill does not contain an appropriation.

According to HED and LFC analysis, the American Recovery and Reinvestment Act includes \$750 million for worker training and job placement in high growth and emerging-industry sectors. Of that amount, \$500 million is reserved to prepare workers for efficiency and renewable energy careers and the remaining is for preparation of workers in the health sector. Based on per capita and population rates, HED estimates New Mexico could receive an estimated \$4 million for green jobs training; however, funding will be awarded via competitive grants. Some states are already redirecting federal Workforce Investment Act funds for retraining programs in the green jobs area.

This legislation creates a new, non-reverting fund, the Green Jobs Fund, to be administered by the Department of Finance and Administration. The fund will receive federal monies from the 2007 Green Jobs Act and other sources. Funds could be used for costs and administration of the act.

This bill provides for continuing appropriations from the new fund. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

HED notes that this legislation would have an additional operating impact on the agency operating budget; the amount is not quantified. PED discusses the agency could be a coordinating partner, with associated staff and travel costs. PED anticipates that agency's participation would occur within existing FTE.

## **SIGNIFICANT ISSUES**

Higher Education Department (HED):

“The American Solar Energy Society predicts that as many as one in four, or 40 million, American workers will be employed in the renewable energy and energy efficiency (RE&EE) industries by 2030. New Mexico is positioning itself to not only grow and attract these companies, but to develop a workforce for them.

In the short-term, the state's educational strategy is to identify those industries with current job openings, identifying any special skills sets needed, conveying this information to the training programs in that area and connecting our human capital with these programs.

The state's long-term educational strategy is to develop career pathways that begin earlier in the educational process, such as in middle school, then continuing through high school into the two- and four-year institutions and, finally, into the workforce.”

Environment Department (NMED):

“HB 622 provides funding for training in green jobs that would promote the use of the State’s abundant renewable energy resources in an environmentally responsible manner and obviate the need to construct new conventional coal fired power plants that emit more air pollution. Training disadvantaged New Mexicans in green jobs would assist with economic development as well.

The provisions of this bill are also consistent with recommendations from the New Mexico Climate Change Advisory Group (CCAG), a citizen’s advisory panel created by Governor Richardson’s Executive Order 05-033 in July 2005. That panel included representatives from the oil and gas industry, electrical power producers, agriculture, and environmental and other nongovernmental organizations. The CCAG was charged with developing recommendations for reducing New Mexico’s greenhouse gas emissions to target levels specified in the Executive Order.

Public Education Department (PED):

As indicated in the January 23, 2009 Analysis of American Recovery and Reinvestment Plan, not only will clean water, flood control and environment restoration projects be targeted, but high-growth and emerging industry sectors as specified in the national Green Jobs Act of 2007 to train workers for careers in energy efficiency and renewable energy industries, retrofitting, green construction, and renewable electric power production are targeted. Additionally, adult, youth, and dislocated worker programs will be targeted for assistance.

There is potential for the postsecondary green jobs training programs created by this bill to include dual credit coursework embedded within the training sequence, thus expanding the educational opportunities for high school students.

## **ADMINISTRATIVE IMPLICATIONS**

This bill would require HED to incur additional administrative costs associated with developing “a state plan for the development of green jobs training programs” throughout FY10. There may also be a recurring administrative impact on HED related to the compilation of the annual reports required under the proposed legislation to be delivered to the Legislature and Governor by December 1<sup>st</sup> of each year.

The bill is at times unclear as to the implementation of the program by HED and associated performance measures. It may be useful to include language requiring specific findings and outcomes to be reported in HED’s annual report to the Legislature. These outcomes could include the types of jobs for which participants are being trained, what level of wages are being earned by graduates of the programs, or whether or not program participants go on to earn a two or four year degree.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Senate Bill 420 permits that the State Investment Council may invest up to 2 percent of the Severance Tax Permanent Fund (STPF) in New Mexico green industries. No one investment

may exceed \$15 million and all of the investments have to be certified by a green industries task force to be appointed by the governor.

Senate Bill 318 mandates that at least one million dollars be distributed annually in job training incentive program (JTIP) funds in order to increase training relative to green industries.

Senate Bill 288 creates the “higher education new energy development fund” within the state treasury. The funds are directed to be used to provide financial incentives to post-secondary educational institutions to develop and provide alternative energy and energy efficiency programs and courses.

## **OTHER SUBSTANTIVE ISSUES**

Workforce Solutions Department (WSD):

The Department will need several sets of workforce measures to have this bill achieve its potential.

1. Educational readiness and skill sets available in the target rural and tribal workforce will need to be quantified before training programs can be developed. This assessment should identify transferable skills that are already present in the workforce that can be augmented with additional training.
2. A set of common measurable performance standards for green industries is needed and should be developed early in the planning process. These standards could be used to balance the desired environmental outcome of this legislation against the desired economic outcome.

This is an industry that is still evolving. Coordination with other states facing similar issues and with the US department of Labor’s Bureau of Labor Statistics may prove useful in developing proper data collection methodology.

## **ALTERNATIVES**

Energy, Minerals and Natural Resources Department (EMNRD):

“Consultation by Higher Education with other departments (Energy, Minerals and Natural Resources; Economic Development; Environment; Public Education) on the green jobs training plan is needed so that HED broadens its expertise in developing the state plan. EMNRD, EDD, and NMED have experience in clean energy economic development, while PED coordinates K-12 programs that are a significant part of the training focus.

Adding wind, geothermal, and biomass to solar as green industries is necessary so that the four major renewables areas are clearly named. EMNRD promotes each of these as unique renewable technologies. New Mexico has resources to support efforts in manufacturing, production, installation, and maintenance in all of these areas

The following are suggested changes for consideration: Change page 2, line 25 to read: "(7) solar, wind, geothermal and biomass technology installation and". Change page 4, line 12 to read: "the development of green jobs training in consultation with energy, minerals and natural resources department, economic development department, environment department, and public education department".

PED notes the bill does not address collaboration with the Economic Development Department regarding research and data development related to projected employment opportunities within high growth economic sectors.

**POSSIBLE QUESTIONS**

1. What programs currently are considered apprenticeship programs?
2. How would this program interface with new training initiatives funded under the federal American Recovery and Reinvestment Act of 2009?
3. How would this program interface with Workforce Investment Act training initiatives?
4. Would there be impacts on the state's higher education funding formula?
5. What are the selection criteria for distributing funds?
6. How would performance outcomes be measured?
7. Which entities participating in the program are eligible for administrative costs?
8. Would there be a cap on administrative costs?

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