

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 02/11/09
LAST UPDATED 03/04/09 **HB** _____

SPONSOR Griego, E.

SHORT TITLE Development Training Funds for Green Jobs **SB** 318/aSFC

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$1,000.0	Recurring	Development Training Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Workforce Solutions (DWS)
 Economic Development Department (EDD)
 Energy, Minerals and Natural Resources Department (EMNRD)
 Public Education Department (PED)
 Higher Education Department (HED)

SUMMARY

Synopsis of SFC Amendment

Senate Finance Committee (SFC) amendment to Senate Bill 318 allows for flexibility in designating the amount that shall be disbursed annually for green industry job development. The amendment specifies that the department “may” spend “up to” \$1,000,000 from the development training fund to develop green industries.

Synopsis of Original Bill

Senate Bill 318 proposes to amend Section 21-19-13 NMSA 1978 to designate a minimum of \$1,000,000 shall be disbursed annually from the development training fund to development training in green industries.

The bill defines green industries as those that contribute directly to preserving or enhancing environmental quality by reducing waste and pollution or by producing sustainable products using sustainable processes and materials. The bill defines green industries as: energy system retrofits to increase energy efficiency and conservation; production and distribution of biofuels and vehicle retrofits for biofuels; building design and construction that meet the equivalent of best available technology in energy and environmental design; organic and community food production; manufacture of products from non-toxic, environmentally certified or recycled materials; manufacture and production and sustainable technologies, including solar panels, wind turbines and fuel cells; solar technology installation and maintenance; recycling, green composting and large-scale reuse of construction and demolition materials and debris; and water system retrofits to increase water efficiency and conservation.

FISCAL IMPLICATIONS

The development training fund created in Section 21-19-11 NMSA 1978 is non-reverting. This bill would set aside \$1 million of the distributions made from the fund shall be for green industries. Presumably, this bill would prioritize or earmark money in the fund.

As of January 1, 2009, the development training fund had a cash balance of \$13.2 million. Of this amount \$12.5 million is obligated, leaving a balance of about \$790-thousand for the remainder of FY09. The appropriation for the program has decreased year after year, while the demand has increased.

SIGNIFICANT ISSUES

The SFC amendment provides the department flexibility and resolves the technical issue identified below.

Although the Economic Development Department (EDD) is fostering the growth and recruitment of renewable energy companies, there is no guarantee that the department will be successful in identifying and/or recruiting a sufficient number of green industry jobs to support a \$1,000,000 million set aside.

This training is an important component of developing clean energy technologies in New Mexico. Executive Order 2007-053, Increasing Energy Efficiency, attempts to reduce statewide per capita energy consumption 20% by 2020, with an interim goal of 10% by 2012 (compared to 2005). Due to New Mexico's Renewable Energy Portfolio Standards (RPS), utilities are required to provide a percentage of their retail electricity sales from renewable resources (10% by 2011 for investor-owned utilities, 5% by 2015 for rural electric cooperatives). The U.S. Department of Energy (DOE) also has established a requirement for states to achieve 25% in energy reductions by 2012, compared to 1990. Funding a program for green job training will help achieve both state and federal goals.

PERFORMANCE IMPLICATIONS

SB318 may assist Energy, Minerals and Natural Resources Department (EMNRD) in achieving its mission to promote energy efficiency and renewable energy.

The Job Training Incentive Program (JTIP) receives funding from the development training fund 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. JTIP reimburses a percentage of the wages 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, so far this year for an increase of 59%.

JTIP policy currently allows companies which manufacture a product in New Mexico to receive funds. Renewable power generators and film post-production companies are eligible under the manufacturing category.

ADMINISTRATIVE IMPLICATIONS

The Economic Development Department administers JTIP funds, the Industrial Training Board, which is statutorily created, is responsible for establishing policy, promulgating rules, and making expenditure decisions. This bill reduces the authority of the board.

RELATIONSHIP

Relates to: HB7, HB312, and SB175

TECHNICAL ISSUES

SB318 inadvertently allows companies that do not ordinarily qualify for JTIP. Such industries do not necessarily exist for the sole purpose of preserving or enhancing environmental quality. Construction, agriculture and local service providers do not qualify for development training funds. However, some of the industries defined in SB318 exist to perform other services such as plumbing while only a small percentage of their jobs might be to install low flow toilets. Administrators of the program would have a difficult time discerning which jobs were created for the sole purpose of preserving or enhancing environmental quality.

OTHER SUBSTANTIVE ISSUES

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 in great need of workers skilled in the new areas of energy efficiency and renewable energy. There are still numerous instances where out-of-state firms are hired for green construction projects, consulting, and major renewable energy projects. With the increase in installations of solar thermal and photovoltaic systems comes the need for trained experts to continue to service and maintain them. New Mexico is positioning itself to not only grow and attract these companies, but develop a workforce for them. The state's educational strategy is to develop career pathways that begin in middle school, continue through high school into the two and four year institutions and finally into the workforce.

This bill offers an opportunity for the Department of Workforce Solutions to collaborate with EDD and other state entities to establish measurable standards that will allow business and community planners and developers to focus the training funds identified in this bill on projects

that will offer the citizens of New Mexico the greatest return on their investment. Funding would be needed to complete a study of the parameters of a green industry or a green job to set this standard.

Further, EDD is aggressively encouraging clean industries so much so that it has created incentives specific for this industry. Those incentives include: the Alternative Energy Manufacturer's Tax Credit, the Renewable Energy Production Tax Credit, the Advanced Energy Tax Credit, the Wind Energy Equipment Gross Receipts Tax Deduction, the Solar Market Development Income Tax Credit, the Biomass-Related Compensating Tax Deduction and the Bio-Fuels Production & Sales Tax Incentive. The Industrial Training Board then adopted policies to include the renewable energy industry.

The "green industries" are an expressed priority nationally and to the state. Growing this industry sector is good for job development for New Mexico and good for preserving and enhancing New Mexico's environmental quality. To enjoy these benefits, the current and emerging workforce will need additional job training in response to the skill demands of this industry.

The development of classroom training in secondary and postsecondary schools will be required to support green industry. The Public Education Department (PED) and Higher Education Department (HED) may need to coordinate training to meet employment needs.

AMENDMENTS

Remove the "minimum" requirement in the bill and remove those industries that are considered local service providers.

Page 3, Line 19 should be amended to include geothermal energy technologies as part of the listing of green industries:

(j) geothermal energy electricity production, district heating systems and ground source heat pump technologies.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

New Mexico's energy efficiency and renewable energy goals that are now mandated by state statutes, executive orders, and federal law will be more difficult to achieve.

DL/mt:svb