



Business Incentive Programs

The Job Training Incentive Program and the Local Economic Development Act are perhaps the best known of the state's lures for relocating and expanding businesses. JTIP reimburses companies for a share of the wages paid to certain newly hired employees, while LEDA reimburses local governments primarily for land and infrastructure related to attracting new or expanding businesses.

JTIP

In the current configuration of the more than 50-year-old JTIP, the Industrial Training Board awards grants from the development training fund to subsidize wages for certain employees. To be eligible, a company must manufacture or produce a product in New Mexico, be a “green” company, or be a service company that exports a majority of its services out of state. In addition, the company must be creating new jobs and the trainees must be new hires, although JTIP’s affiliated Step-Up program helps companies train existing workers in new technologies or skills. Further, the company must guarantee full-time, year-round employment to the trainee on successful completion of the training program.

The grant, available for up to six months of wages, covers 50 percent of the wages for urban jobs, 65 percent for rural jobs, and 75 percent for jobs in “frontier” (economically distressed) or Native American locations. High-wage jobs receive an additional 5 percent subsidy, as do companies that hire veterans. Companies that hire recent New Mexico college graduates and recent graduates of the foster care system also may receive a 5 percent subsidy. The total subsidy cannot exceed 10 percent. At least one-third of the total grants must be allocated to jobs outside of urban areas. While classroom training and a combination of classroom and on-the-job training are also eligible for reimbursement, nearly all grants are for on-the-job training.

While the department reports JTIP has supported the creation of more than 50 thousand jobs since its creation, the cost per job created has varied widely. In addition, the JTIP subsidy can be “stacked” on other state incentives, resulting in a higher cost per job than is apparent.

The Legislature has typically supported JTIP through annual special appropriations but more recently has also provided more secure, recurring funding. Concerned about its return on investment, the state also adopted a “claw-back” provision to require any company to return awarded funds to the state if it closes the operation within one year of the award.

LEDA

The Local Economic Development Act authorizes the state to reimburse qualifying municipality and county governments with local economic development plans for the lease or purchase of land, buildings, and other public infrastructure related to certain businesses locating or expanding in the community. Sometimes called a closing fund because of the program’s ability to “close” a deal, LEDA grants can also be used to guarantee loans, although the size of the loan is limited by the local government’s gross receipts tax revenue.

New Mexico communities qualify to receive LEDA grants by adopting local ordinances that create an economic development organization and an economic development strategic plan. While the use of the funds is limited, local LEDA grants can be used in connection with a broad range of businesses, including manufacturing, retail, services, warehouses, and cultural facilities.

Although the act was passed in the early 1990s after voters amended the anti-donation clause in the state constitution to allow the use of state funds for local economic development projects, the program did not attract significant funding until the 2010s, when legislators began appropriating tens of millions of nonrecurring dollars a year. The program created about 16,400 jobs between FY14, when tracking began, and mid-FY22, although the Economic Development Department specifies it is not a “job-buying” program but intended to generate economic activity. It contends the state gets a full return on its investment through additional tax revenue and other direct benefits in an average of less than five years.

LEDA funds are disbursed as the company meets certain milestones. LEDA deals are typically five-year agreements with larger projects use 10-year agreements. Like with JTIP, LEDA includes a clawback provision.

For More Information:

- The Economic Development Department JTIP website is gonm.biz/Job_Training_Incentive_Program.aspx. Its website for LEDA is gonm.biz/community-development/local-economic-development-act/
- JTIP was established under Sections 21-19-7 through 21-19-13 NMSA 1978. LEDA is authorized under Section 5 Article 10.