

LFC Hearing Brief



Several public entities, including the Workforce Solutions Department (WSD) and Economic Development Department (EDD), primarily focus on improving state economic opportunities. In recent years, New Mexico struggled with a stagnant economy and one of the highest unemployment rates in the nation. A significant portion of WSD funding is dedicated to providing services to unemployed or underemployed individuals. In collaboration with state workforce boards, around 82 thousand individuals received employment services in FY17. However, unemployment, and youth unemployment in particular, remains too high and should be a focus for policymakers. Performance reporting is a key mechanism to inform policymakers how public systems are serving these populations and how to improve outcomes. WSD provides one of the most robust performance reports among state agencies.

Managing for Results

Using data to monitor the efficacy of public systems is not a new concept in New Mexico. Performance reporting is woven into the state General Appropriation Act (GAA), and quarterly report cards are publically available. The strength of this data across state agencies is not uniform. WSD, is an example of a state agency with strong outcome-focused performance measures. The agency not only reports on service utilization but also outcomes such as wages and job stability.

A significant portion of state workforce services are provided by the state workforce boards, which receive federal flow-through funding. New Mexico has four regional workforce boards: Northern, Central, Southwest, and Eastern. These boards receive around \$12 million annually to provide services in collaboration with Workforce Connection offices for six core programs, including adult services dislocated worker programs, youth programs, adult education and family literacy, and veteran grant programs. Youth programming in particular should be a priority going forward to improve unemployment levels and future up-skilling.

Addressing New Mexico's High Youth Unemployment Rates

WSD provides detailed monthly labor market reports and focuses on different workforce issues each month. The report for February 2018 (see Appendix) provided detailed data on labor force and unemployment rates by age range, showing youth are unemployed at a significantly higher rate than other age groups. For New Mexico job seekers 16 years to 19 years old, 21.2 percent were unemployed, and for those 20 years to 24 years old, 10.4 percent were unemployed. These rates are far higher than the national averages of 14.4 percent and 6.8 percent, respectively, according to the U.S. Bureau of Labor Statistics (BLS). The rates are also significantly higher than the 5.8 percent overall statewide average unemployment rate. The data indicate youth unemployment in New Mexico is disproportionately greater than total unemployment compared with the rest of the

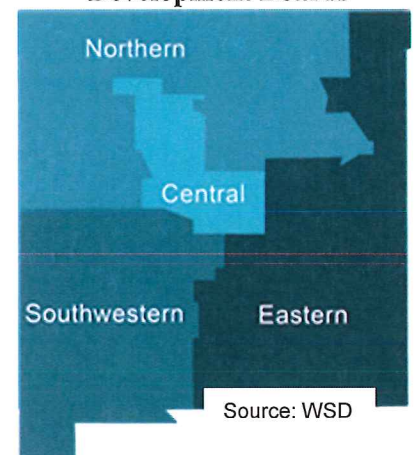
AGENCY: Workforce Solutions Department

DATE: April 27, 2018

PURPOSE OF HEARING: Managing for Results

WITNESS: Celina, Bussey, Secretary, WSD

New Mexico Local Workforce Development Boards



State workforce plan for local boards to encourage more effective program design to keep youth, age 14 to 24, engaged:

- Tutoring and skills training,
- Alternative pathways to obtain secondary diploma,
- Occupational skills,
- Leadership development opportunities,
- Financial literacy training, and
- Comprehensive guidance counseling.

Area Title	ACTUAL 12-MONTH AVERAGE MARCH 2017– FEBRUARY 2018		Jobs Needed to Match National Unempl. Rate	State Unempl. Rate if Deficit Addressed
	Unempl. Rate	Unempl. Rate		
United States	4.3%			
New Mexico	6.0%	16,024	4.3%	
Bernalillo County	5.3%	3,570	5.6%	
Catron County	6.9%	30	6.0%	
Chaves County	6.2%	520	5.9%	
Cibola County	7.6%	304	5.9%	
Colfax County	5.9%	94	6.0%	
Curry County	4.7%	102	6.0%	
De Baca County	4.6%	3	6.0%	
Dona Ana County	6.8%	2,359	5.7%	
Eddy County	4.9%	183	6.0%	
Grant County	6.0%	212	6.0%	
Guadalupe County	6.2%	31	6.0%	
Harding County	6.3%	6	6.0%	
Hidalgo County	5.1%	18	6.0%	
Lea County	6.1%	512	5.9%	
Lincoln County	5.4%	97	6.0%	
Los Alamos County	3.7%	NA	NA	
Luna County	13.8%	994	5.9%	
McKinley County	8.5%	1,024	5.9%	
Mora County	7.7%	74	6.0%	
Otero County	6.0%	423	5.9%	
Quay County	5.9%	54	6.0%	
Rio Arriba County	6.2%	332	5.9%	
Roosevelt County	5.2%	72	6.0%	
Sandoval County	6.0%	1,131	5.9%	
San Juan County	6.8%	1,347	5.8%	
San Miguel County	7.3%	328	5.9%	
Santa Fe County	5.0%	537	5.9%	
Sierra County	7.9%	148	6.0%	
Socorro County	6.4%	137	6.0%	
Taos County	7.8%	529	5.9%	
Torrance County	8.7%	245	6.0%	
Union County	3.6%	NA	NA	
Valencia County	6.5%	674	5.9%	
Albuquerque MSA	5.6%	5,620	5.4%	
Las Cruces MSA	6.8%	2,359	5.7%	
Farmington MSA	6.8%	1,347	5.8%	
Santa Fe MSA	5.0%	537	5.9%	
All MSAs	5.8%	9,864	4.9%	
Ages 16 to 19	21.2%	5,638	5.4%	
Ages 20 to 24	10.4%	5,744	5.4%	
Ages 25 to 34	7.1%	5,530	5.4%	
Ages 35 to 44	4.5%	1,083	5.9%	
Ages 45 to 54	3.7%	NA	NA	
Ages 55 to 64	5.2%	1,977	5.8%	
Ages 65+	2.5%	NA	NA	

Source: Workforce Solutions, U.S. Bureau of Labor Statistics

country. Difficulty getting those first crucial jobs can negatively affect lifetime earning capacity and skill levels.

Exacerbating this issue, youth services from local workforce boards consistently miss targeted performance. During the previous two fiscal years, local workforce boards served 770 youth and 856 youth, respectively, and are on track to serve in the low 800s in the current fiscal year, far below the target of 1,400. With the knowledge that youth are chronically unemployed, the state should start to focus more resources towards employing youth and building a step-up system so that once youth attain employment they do not quickly become underemployed. It is also important to ensure the state provides training and promotes job growth for industry sectors that pay higher wages for job seekers in other age groups.

Youth Services. Youth services shifted focus from in-school youth to out-of-school youth under the Workforce Innovation and Opportunity Act (WIOA). Since this shift, the state has struggled to find and serve youth. Data sharing and referrals from school districts and local workforce providers to better connect youth may be necessary to boost performance. Two initiatives to serve this population by WSD are Career Solutions and Why I Work. Both are up-skilling tools focused on workforce, financial literacy, and career planning. With these tools, local workforce boards and workforce connection offices work with unemployed youth in a case management like system. Other systems used to connect youth with employment include apprenticeship opportunities and public wage supplement systems.

Unemployment and Job Creation Challenges

In the last year, New Mexico’s unemployment rate averaged 6 percent, while the national unemployment rate was 4.3 percent. The state averaged about 55.7 thousand unemployed persons in the last year, with about 43 percent concentrated in the Albuquerque metro area (Bernalillo, Sandoval, Torrance, and Valencia counties). Nearly 37.4 thousand, or 67 percent, of those unemployed in New Mexico are located in the four metro areas (Albuquerque, Las Cruces, Farmington, and Santa Fe).

The Workforce Solutions Department regularly compiles data from the BLS on New Mexico employment levels and characteristics. The table to the left indicates each county’s unemployment rate over the 12-month period from March 2017 to February 2018. The highest rate of unemployment was in Luna County, at 13.8 percent, and the lowest was in Union County (3.6 percent) and Los Alamos County (3.7 percent). The second column indicates how many jobs would need to be created in each county (beyond existing growth rates) to bring that county in line with the national average unemployment rate of 4.3 percent.

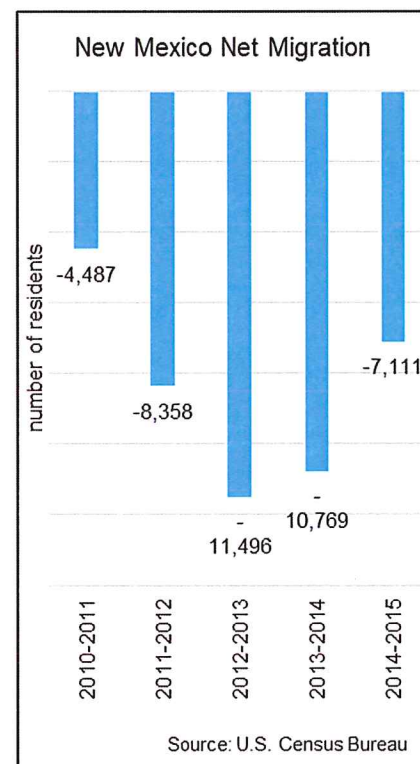
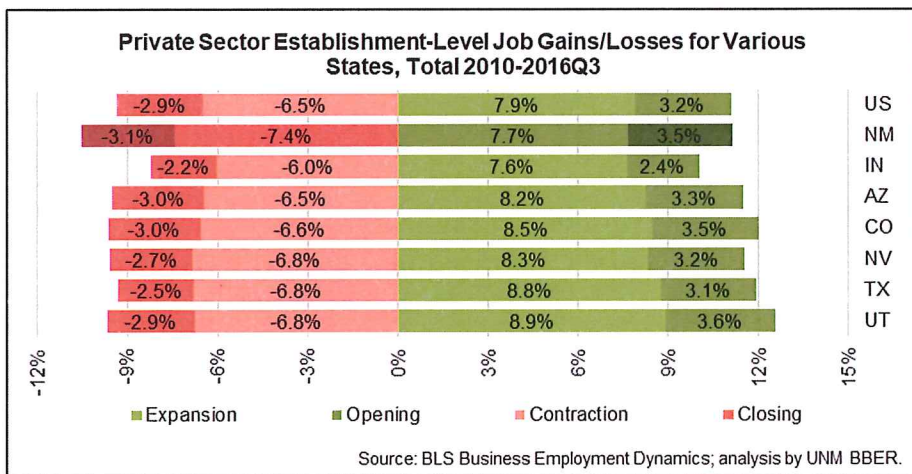
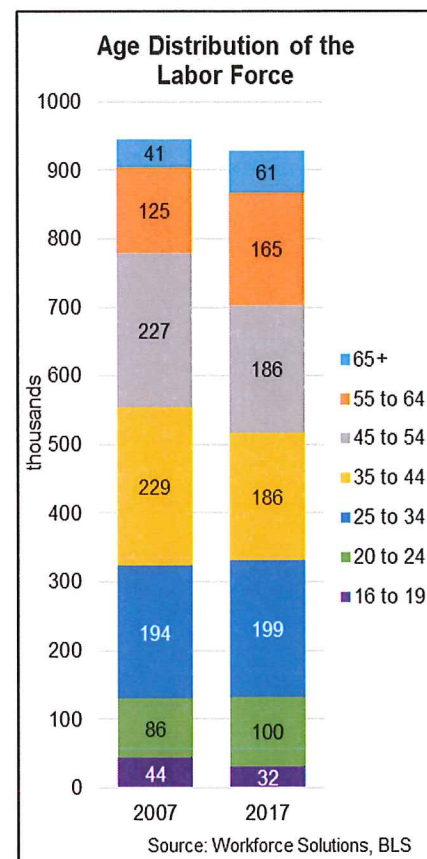
The last column shows what the state unemployment rate would be if enough jobs were created in that county to bring it to the national average. For example, Bernalillo County would need to add 3,570 jobs to get to the national average unemployment rate, and if those jobs were added, the state unemployment rate would drop to 5.6 percent. Similarly, it would take 9,864 jobs to reduce the unemployment rate in the four metro areas to get to the national level, which would reduce the state

unemployment rate to 4.9 percent, all else equal. While there is clearly no single county fix to the state's unemployment problems, the unemployment rate drops significantly more when addressing employment gaps in the metro areas.

Although county-level employment data by age group is not available, the table also shows New Mexico needs to focus on creating employment opportunities for young workers. If New Mexico could bring the unemployment rate for the population aged 16 to 24 down to the national rate, the state's unemployment rate would fall to 4.8 percent. If the unemployment rate for 16- to 34- year-olds was reduced to the national rate, the state's unemployment rate would fall to 4.2 percent, which is below the national average.

Clearly, addressing job needs for the younger working population will have the greatest impact to the state's overall unemployment rate. However, low-paying jobs with little or no advancement opportunity or skill learning are not going to contribute significantly to lifetime earning capacity or creating a skilled state workforce. Most importantly, the state should focus its efforts on providing education and training for young persons and assisting the creation of jobs that afford young workers with necessary skills and advancement opportunities for better paying positions in the future.

While New Mexico has done relatively well adding jobs by recruiting new businesses, the state is lacking in its ability to retain and foster growth in existing businesses. The chart below by the University of New Mexico Bureau of Business and Economic Research (BBER) shows New Mexico is doing well among peer states in gaining jobs due to business openings, with 3.5 percent growth from 2010 to the third quarter of 2016, while the national average is 3.2 percent. However, other states in the southwest, and the nation on average, outperform New Mexico in job growth through business expansions and losing fewer jobs due to business contractions and closings.



Additionally, BLS data compiled by WSD shows New Mexico's labor force is smaller than a decade ago, and the largest decline was in adults aged 35 to 54. Labor force participation by this age group declined over 18 percent in the last decade, shrinking by about 84 thousand. This could be due in part to net out-migration. In the period from 2010 to 2015, more residents left New Mexico each year than residents who have relocated to the state from other areas. When examining interstate migration by educational attainment, BBER found most out-migration is occurring with those who have a bachelor's degree or at least some

In May and June 2018, the Legislative Finance Committee will hear economic development updates, including from the Department of Economic Development.

college education. This pattern seems to indicate college-educated, prime working age adults are leaving New Mexico for job opportunities elsewhere.

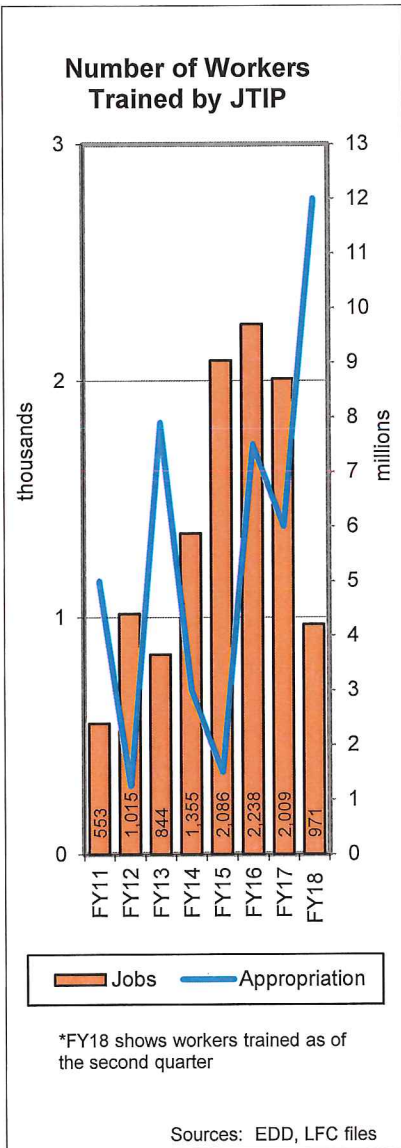
Addressing income problems may be more challenging for the state’s labor policy than addressing employment issues. New Mexico is actively adding jobs, as statewide unemployment has trended downward in recent months. Preliminary BLS data shows the state had 3,235 more jobs in March 2018 than last year’s average employment; however, the pattern of concentrated unemployment of young workers within the metro areas is relatively unchanged. What is clear is that the quality of the jobs added in New Mexico matters. Employing more youth in entry-level positions will certainly aid their career trajectories and lower the state’s unemployment rate, but the challenge is creating well-paying opportunities for a skilled labor force that in turn bolsters the state’s average income and incentivizes trained workers to stay in New Mexico.

Unemployment Insurance. To be eligible for Unemployment Insurance (UI) benefits, the claimant must meet monetary and nonmonetary requirements, such as earning sufficient wages during a base period of time and being able, available, and actively searching for work. The base wage period is 12 months, during which an average wage determination is used to calculate benefits. Benefits are available for up to 26 weeks and are equal to around 50 percent of the average weekly wage of the claimant’s base period. While benefits payments remain average compared to surrounding states, the length time unemployed individuals receive benefits and exhaustion of benefits is high compared to surrounding states. With this in mind, WSD is attempting to mine internal data to understand how to more quickly connect individuals to employment. One example of this is Reemployment Services and Eligibility Assessments (RESEA), an evidence-based activity that saves an average of \$536 per claimant in UI benefit costs. The RESEA program connects participants with in-person assessments and reemployment services through local employment centers. RESEA assists unemployed individuals find employment quicker and assists states in reducing length or exhaustion of benefits. New Mexico has the highest regional length of benefits in the southwest; by employing individuals faster through programs like RESEA employer tax rates may be reduced in the long-term.

Economic Development Department Job Creation Strategies and Performance

The Economic Development Department has multiple programs focused on creating jobs in New Mexico. These programs include the well-known Local Economic Development Act Fund (LEDA), and Job Training Incentive Program (JTIP). EDD also contains the Office Of business Advocacy, Office of Science and Technology, and Finance Development team. While these programs have had success in recent years, they are not always fully understood, due to the lack of data being collected and shared. EDD is also challenged with enhancing awareness of such programs for local businesses.

The primary focus of the Office of Business Advocacy is to advance local business expansion, retention, and growth by resolving challenges that may be occurring within other state agencies, or any other public policy problems. The Office of Science and Technology’s goal is to support the start-up, growth, and relocation of technology-based industries in New Mexico by growing and diversifying existing technology companies, rapidly commercializing technologies, and promoting research and development in emerging technologies. The Finance Development



team meets with businesses to introduce them to tax incentives, job-training reimbursements, and financial assistance programs.

The Economic Development Department awarded 14 companies \$15.8 million in LEDA funds in FY17 and created 530 jobs. Of these jobs created, it is unknown how many employees are currently still employed with the same companies that received LEDA awards. This information is vital in determining the success of the program. As of the second quarter within FY18, EDD awarded three companies \$925 thousand in LEDA funds and adding 100 new jobs. However, at a time when New Mexico is succeeding at attracting new businesses, a focused effort needs to be made, within all economic development drivers, to retain the employees and businesses already established.

JTIP funds classroom and on-the-job training for newly-created jobs in expanding or relocating businesses for up to six months. The program reimburses 50 percent to 75 percent of employee wages. Custom training at a New Mexico public educational institution may also be reimbursed. This is one of the most successful job creation programs within EDD, and beginning in FY19 it will have \$4 million in the operating budget to support local businesses. As of Decemeber 2017, 971 workers recieved training through JTIP.

As of April 2018, \$44.4 million of LEDA funds are available.

IMPROVEMENT PLAN

Submitted by agency? Yes
 Timeline assigned? No
 Responsibility assigned? Yes

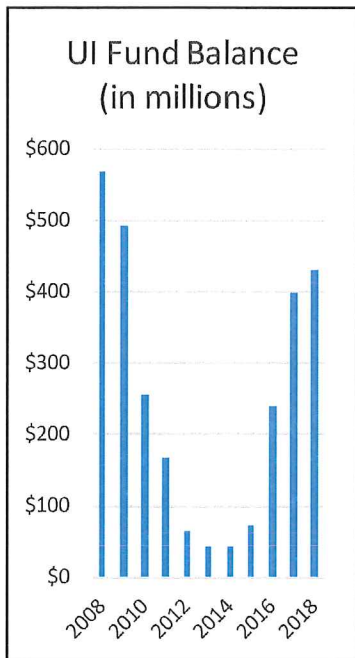
Workforce Solutions Department

In New Mexico, poor economic conditions remain significant, resulting in one of the highest unemployment rates in the nation coupled with low wages for those who are employed. Wait times for those seeking unemployment insurance (UI) benefits spiked during the second quarter and veterans services continued to miss targeted performance. The UI trust fund balance declined during second quarter as a result of more benefit payouts than contribution revenue. However, healthy trust fund balances overall absorbed benefit payouts.

Unemployment Insurance

Wait times to file a new unemployment insurance claim or certify an existing claim surged in the second quarter. The agency noted a cyclical increase for wait times during the second quarter of each fiscal year. This is mostly attributable to seasonal employment and wait times are expected to decline in the third quarter. The agency is meeting other administrative performance targets regarding timely payment and claim accuracy once a claim is filed.

Unemployment Insurance Trust Fund FY18 Quarter 2 Results (in millions)	
Total Contribution Revenue Received	\$ 34.2
Total Benefit Payout	\$ 35.5

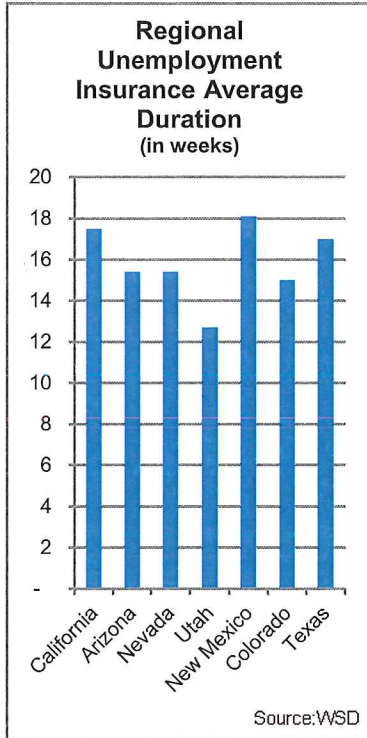


Unemployment Insurance		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: \$9,722.2		FTE: 181.6						
1	Eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	91%	89%	80%	95%	93%		G
2	Accuracy rate of claimant separation determinations	93%	93%	85%	97%	95%		G
3	Average wait time to speak to a customer service agent in unemployment insurance operation center to file a new unemployment insurance claim	20 min	18 min	15 min	6 min	17 min		R
4	Average wait time to speak to a customer service agent in unemployment insurance operation center to file a weekly certification	15 min	15 min	15 min	4 min	16 min		R
5	First payments made within fourteen days after the waiting week	92%	91%	90%	92%	94%		G
Program Rating		Y	Y					G

Employment Services

The Employment Services Program is still struggling to provide services to disabled veterans. The agency reported a concerted outreach effort to connect with employers and federal contractors for recently separated veterans. In addition, the average six-month earnings of veterans after receiving services declined nearly 11 percent between the first and second quarters. In previous fiscal years, the agency consistently reported veteran's six-month earnings around \$17 thousand, however

those earnings significantly dropped to \$15 thousand during the second quarter. Both the struggle to provide services to veterans and the decline in wages is concerning.



Employment Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: \$13,641.8								
FTE: 150								
6	Average six-month earnings of persons entering employment after receiving Wagner Peyser employment services	\$13,748	\$13,624	\$13,500	\$13,641	\$16,704		G
7	Individuals receiving Wagner Peyser employment services	91,704	82,499	120,000	79,728	68,183		Y
8	Unemployed individuals employed after receiving Wagner Peyser employment services	57%	55%	55%	55%	47%		R
9	Individuals that have received Wagner Peyser employment services retaining employment after six months	80%	78%	75%	79%	78%		G
10	Recently separated veterans retaining employment after six months	73%	72%	70%	73%	71%		G
11	Disabled veterans entering employment after receiving workforce development services	46%	37%	45%	40%	41%		Y
12	Average six-month earnings of persons entering employment after receiving veterans' services	\$17,429	\$17,148	\$16,000	\$17,091	\$15,249		R
Program Rating		G	Y					Y

Program Support

Program Support met a majority of performance targets during the second quarter. Previously the agency reported struggles with providing services to youth. Strategies to improve performance and engage youth included each of the local workforce development boards having a youth provider conducting outreach for specific targeted populations. In addition, each provider has now received training and guidance on eligibility requirements.

Program Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: \$22,848.5								
FTE: 99								
13	Youth receiving Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce boards	856	770	1,400	805	818		Y
14	Youth that enter employment or are enrolled in post-secondary education and/or advanced training after receiving Workforce Innovation and Opportunity Act services	59%	57%	59%	63%	63%		G

PERFORMANCE REPORT CARD
Workforce Solutions Department
Second Quarter, Fiscal Year 2018

15	Adults and dislocated workers receiving Workforce Innovation and Opportunity Act services	2,805	3,013	2,700	2,576	256		G
16	Individuals that receive Workforce Innovation and Opportunity Act services that retain employment	90%	86%	89%	89%	89%		G
Program Rating		G	Y					G

Labor Relations

The Labor Relations program improved performance for investigating and resolving wage claims and the number of days to issue a determination for discrimination charges. These measures missed targeted performance during the first quarter and were noted as a concern. The agency filled vacancies in investigator positions to improve performance. The program also continued to report increases in the number of apprentices registered and in training, exceeding the targeted performance level.

Labor Relations		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: \$3,987.0	FTE: 31.4							
17	Wage claims investigated and resolved within ninety days	93%	93%	91%	79%	100%		G
18	Average number of days to investigate and issue a determination of a charge of discrimination	203	193	180	193	159		G
19	Apprentices registered and in training	1,281	2,126	1,320	1,530	1,644		G
20	Compliance reviews and quality assessments on registered apprenticeship programs	6	6	6	0	2		G
Program Rating		Y	Y					G

Economic Development Department

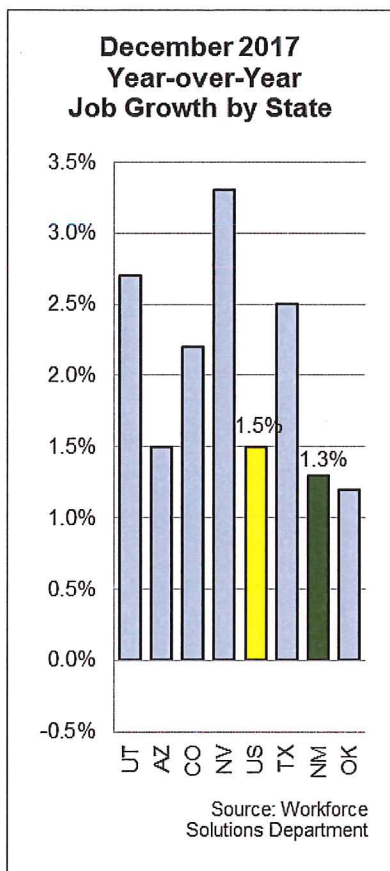
ACTION PLAN

Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	No

New Mexico's total nonfarm employment, comparing December 2017 with December 2016, grew by 10,800 jobs, representing a 1.3 percent increase. The Economic Development Department's (EDD) performance results for the second quarter decreased in significant areas such as jobs created due to department efforts and jobs created through use of Local Economic Development Act Funds. The New Mexico Partnership, which is EDD's largest contract of \$1 million, still has not recorded any job growth due to their efforts for the FY18 fiscal year.

Economic Development

The Economic Development Division awarded three companies \$925 thousand in LEDA funds in the second quarter, contributing to 100 jobs created. Of the three companies awarded LEDA funds, one was located in a rural area. These companies include Descartes Labs in Santa Fe County, UbiQD in Los Alamos County, and PreCheck Inc. in Otero County. The private funds matched for these LEDA projects totaled \$5 million. Descartes Labs and UbiQD are successful technology transfers from Los Alamos National Laboratory.



Nationally, New Mexico currently ranks 49th for employment rate, 46th for labor force participation and 43rd for job growth.

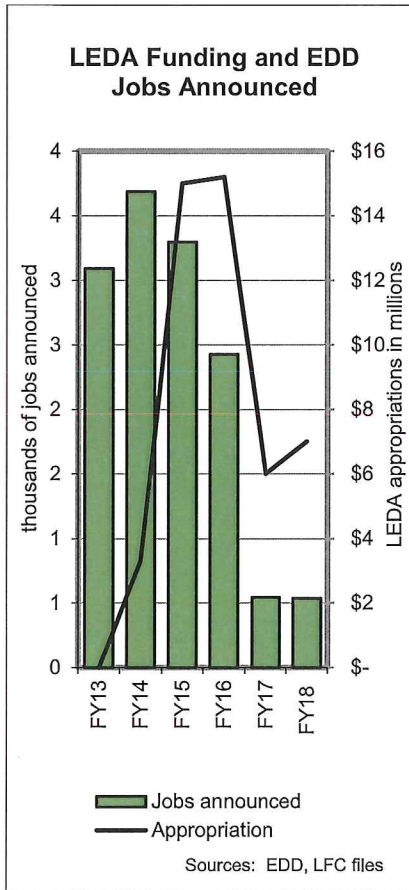
Source: U.S. News and World Reports

Economic Development		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: 6,128.9 FTE: 25								
1	Jobs created due to Economic Development Department efforts	4,140	1,729	4,500	630	331		Y
2	Rural jobs created	641	775	1,600	350	193		G
3	Jobs created through business relocations facilitated by the New Mexico Partnership	222	115	2,250	0	0		R
4	Potential recruitment opportunities generated by partnership marketing and sales activities	NEW	NEW	84	18	8		Y
5	Workers trained by the job training incentive program	2,238	2,009	1,850	672	299		G
6	Private sector dollars leveraged by each dollar through Local Economic Development act	16:8	21:1	12:1	95:1	5:1		G
7	Jobs created through the use of Local Economic Development act funds	2,426	530	2,200	436	100		Y
8	Private sector investment in MainStreet districts (in millions)	\$22.17	\$28.40	\$11	\$34	\$7.11		G
Program Rating		Y	Y					Y

Seventeen businesses were approved for Job Training Incentive Program funding in the first quarter, totaling 299 workers trained. Of those jobs, 174 were approved companies in rural areas including Corrales, Aztec, Navajo Nation, Portales, Alamogordo, and Clovis, at an average wage of \$18.28 per hour. During the second

LEDA Fund Balance as of January 30, 2018:

- \$37 million



quarter, 55 percent of JTIP allocations went to rural projects. The Film Crew Advancement Program, one of the two JTIP for Film and Multimedia programs, was approved to train 26 crew members at an average wage of \$22.02 per hour.

The New Mexico MainStreet program had another successful quarter. Local MainStreet programs reported \$7 million in private sector reinvestment. Projects included 61 private buildings, 42 new businesses and business expansions, and the creation of 156 net new jobs. The largest private investment was seen in the Zuni Pueblo, with \$5.6 million in private building rehabilitations, mainly for the Zuni Christian Mission School project. Other MainStreet districts with improvements in the second quarter include Las Vegas, Clayton, Grants, and Tucumari

New Mexico Film Office

The film office reports direct spend by the film industry into the New Mexico economy of \$42.5 million for the second quarter. Productions that took place in the second quarter include The Brave, Tremors, Willenberger, and Big Kill. Locally produced productions include Meow Wolf: an Autobiography, Arctik, Frequent Caller, Tumbleweed, Prisoner of Mind, A Good Reason, and the documentary series America Out of the Vault. The Film Crew Advancement Program (FCAP) is the division’s priority program in training as it provides high-wage job opportunities with production companies where crew can diversify and advance their skill sets. Productions that hire qualifying, local crew are reimbursed 50 percent of a qualifying resident’s wage for up to 1,040 hours. Five companies qualified for FCAP with 26 New Mexican participants, at an average wage of \$22.02 per hour.

Film Office		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: 706.5 FTE: 8.0								
9	Direct spending by film industry productions, in millions	\$387	\$505	\$260	\$55	\$42.5		Y
10	Number of film and media worker days	260,307	448,304	230,000	57,104	46,061		G
Program Rating		G	G					G