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FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/06

SPONSOR Lujan LAST UPDATED _____ HB 30

SHORT TITLE Development Training Programs SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
\$10,000.0		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
\$10,000.0			Recurring	Development Training Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill (if bill is amended state "Synopsis of Original Bill")

House Bill 30, "An Act Making Appropriation for Development Training Programs," appropriates \$10 million from the general fund to the development training fund for expenditure in FY06 and subsequent years for classroom and in-plant training. The bill declares an emergency.

The Job Training Incentive Program reimburses qualified companies from the development training fund for a significant portion of the costs to train new employees.

FISCAL IMPLICATIONS

The appropriation of \$10 million 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.

SIGNIFICANT ISSUES

EDD indicates that as of December 31, 2005, the current cash balance is \$19.8 million. Of that amount, \$11.2 million has been encumbered for use by companies, leaving \$8.6 million in available cash. When companies do not use the entire allotment from JTIP, the balance is returned to the development training fund for other awards.

The executive recommends appropriating \$7.5 million, which, according to EDD, will bring the cash balance at the beginning of FY07 to \$20 million. LFC recommends appropriating \$4 million, contingent upon JTIP adopting a claw-back provision to retrieve awards should companies close or relocate prematurely.

Over the past three fiscal years (FY03-FY05), JTIP has awarded an average of \$8.7 million to companies. In FY04 JTIP awarded \$11.1 million; in FY05 the program awarded \$6.7 million. EDD indicates that FY06 and FY07 could see significant increases in the amount awarded to companies.

According to EDD, the Film Training Program office is requesting to use up to \$3 million (\$3,000,000) for production and film job training. The program is currently authorized to use up to \$2 million (\$2,000,000) for film and media arts training.

PERFORMANCE IMPLICATIONS

Last fiscal year (FY05), the Job Training Incentive Program (JTIP) assisted in the creation of 902 jobs at an average wage of \$14.82. The program assisted 57 companies statewide.

So far this fiscal year (FY06), the program has funded 38 projects with an average wage of \$12.03/hour. Through this program, companies have committed to creating two hundred seventy-four (274) jobs in rural locations such as Las Vegas, Silver City, Shiprock, Hobbs, Santa Teresa, Carlsbad, Taos, Clovis, Anton Chico, and Espanola, at an average wage of \$11.88 an hour.

ADMINISTRATIVE IMPLICATIONS

None. The Economic Development Department administers the program with three full-time equivalents and one contractor. The department is authorized to use up to \$100 thousand for JTIP administrative costs.

OTHER SUBSTANTIVE ISSUES

According to EDD, the Job Training Incentive Program is a key incentive which is often instrumental in companies' decisions to locate or expand in New Mexico. The following companies

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are among the many that have located and/or expanded in New Mexico based in part on the availability of JTIP funds – Merillat, Tempur-Pedic, Southwest Cheese, Mesa Ingredients, SEI, DTS, Eclipse Aviation, and Sento. These companies alone have committed to create approximately 2,300 jobs over the next few years.

BE/mt