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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/22/13

SPONSOR Taylor LAST UPDATED \_\_\_\_\_ HB 7

SHORT TITLE Development Training SB \_\_\_\_\_

ANALYST Clark

### APPROPRIATION (dollars in thousands)

| Appropriation |      | Recurring<br>or Nonrecurring | Fund<br>Affected |
|---------------|------|------------------------------|------------------|
| FY13          | FY14 |                              |                  |
| \$4,750.0     |      | Recurring                    | General Fund     |

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

House Bill 7 appropriates \$4.75 million from the general fund to the development training fund of the Economic Development Department for a development training program that provides classroom and in-plant training to furnish qualified human resources for certain new or expanding industries and business in the state.

The bill has an emergency clause.

### FISCAL IMPLICATIONS

The appropriation of \$4,750,000 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.

Money appropriated to the development training fund is administered by the Economic Development Department's (EDD) Job Training Incentive Program (JTIP), and according to Section 21-19-7 NMSA 1978 shall not be transferred to any other fund or be encumbered or disbursed in any manner except excepted as specified in the statute. Money in the fund shall not

revert at the end of any fiscal year. Up to \$2 million of development training funds may be used to reimburse film and multimedia production companies and to provide pre-employment training for that industry pursuant to the provisions of Section 21-19-7.1 NMSA 1978. Up to \$1 million disbursed annually from the development training program may be dedicated to development training in green industries.

The EDD notes the development training fund has an unobligated cash balance of approximately \$7.3 million, but it has \$3.9 million of potential funding requests under consideration for the remainder of FY13 and \$14.3 million of potential funding requests for FY14.

**SIGNIFICANT ISSUES**

The EDD reports the JTIP is a major incentive tool used to create jobs in New Mexico, both for existing New Mexico companies and companies which relocate or start up in New Mexico. The program acts as an incentive because it is primarily used to reimburse qualifying companies 50 to 80 percent of the wages paid to newly hired employees for up to six months. The program provides an incentive for companies to hire eligible trainees -- those that have lived in New Mexico for one continuous year at any time of their lives.

The JTIP is often instrumental in companies’ decisions to locate or expand in New Mexico. The following companies are among the many that have located and/or expanded in New Mexico based in large part on the availability of JTIP funds: Pre-Check (Alamogordo), Southwest Cheese (Clovis), Montell Fabrication & Rebuild (Corona and Deming), NM Wineries (Deming), Hewlett-Packard (Rio Rancho), Fidelity Investments (Albuquerque), JUT Demonstration (Hobbs), L&M Radiator (Las Cruces), Lowe’s Companies, Inc. (Albuquerque), and Western Baking Company (Alamogordo).

**PERFORMANCE IMPLICATIONS**

Current and Historical Performance Measures:

|   | FY2010 | FY2011 | FY2012 | FY2013 Q1 | FY2013 Q2 | YTD FY2013 | FY2013 Goal | % of Goal |
|---|--------|--------|--------|-----------|-----------|------------|-------------|-----------|
| <b>JTIP</b>                                     |        |        |        |           |           |            |             |           |
| Number of Businesses participating in JTIP      | 35     | 34     | 32     | 15        | 10        | 25         | 16          | 156%      |
| Number of workers trained by JTIP               | 1,181  | 613    | 1015   | 450       | 66        | 516        | 1000        | 52%       |
| Number of Rural companies participating in JTIP | 9      | 5      | 9      | 6         | 3         | 9          | 8           | 113%      |
| Average Wage of Jobs funded through JTIP        | 22.43  | 18.74  | 16.19  | 15.12     | 35.02     | 17.67      | 16.00       | 110%      |
| Average annual cost per JTIP trainee            | 10,145 | 5,468  | 5,301  | 5,289     | 19,852    | 7,151.25   | 2,500       | 286%      |

The JTIP is exceeding its goals in average wage of jobs funded, the number of businesses participating, and the number of rural companies participating. The staff is working on several additional projects in rural areas of New Mexico, which are in the pipeline.

Rural projects funded recently include:

- Compass Components – 8 jobs in Deming
- Martinez & Sons Processing – 8 jobs in Las Vegas

- Western Baking Corporation – 36 jobs in Alamogordo
- Plenish, Inc. – 2 jobs in Ranchos de Taos
- Ideum, Inc. – 11 jobs in Corrales
- Fair Oaks Farms Brands – 10 jobs in Dexter
- New Mexico Wineries – 10 jobs in Deming

### ADMINISTRATIVE IMPLICATIONS

While the New Mexico 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.

### RELATIONSHIP

Relates to House Bill 2. The EDD requested a special appropriation be included in the General Appropriations Act for \$4.75 million.

### OTHER SUBSTANTIVE ISSUES

The EDD reports the FY14 potential project pipeline includes:

| Project Name:                    | Jobs  | Estimated JTIP |                        |
|----------------------------------|-------|----------------|------------------------|
| Project Crown (Metro)            | 500   | 3,500,000      |                        |
| Project Norton                   | 100   | 800,000        | <i>Phase 1</i>         |
| Project Engine (San Juan County) | 25    | 300,000        |                        |
| Project Verano (LC)              | 150   | 400,000        | <i>Phase 2</i>         |
| Project INIS (Lea County)        | 100   | 1,100,000      | <i>Phase 1 &amp; 2</i> |
| Project Blue (Otero County)      | 30    | 374,000        |                        |
| Project Dano                     | 100   | 800,000        | <i>Phase 1</i>         |
| Project More                     | 750   | 2,100,000      |                        |
| Project FRST (Otero County)      | 40    | 400,000        |                        |
| Project Luck (Metro)             | 200   | 1,500,000      | <i>Phase 1</i>         |
| Project Lock                     | 15    | 72,000         |                        |
| Total for FY14                   | 2,861 | \$14,300,000   |                        |

### WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The EDD and economic development organizations throughout the state consider the JTIP a premier incentive program which directly supports economic growth and the creation of new jobs for New Mexicans. The department maintains the program requires additional funding to continue to meet the demand of those projects already in the queue for the remainder of FY13 and FY14.

For almost 40 years, New Mexico’s Job Training Incentive Program has been a crucial force in New Mexico’s economic growth. The EDD is concerned about the ability to meet the needs of companies as they expand during the economic recovery.