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FISCAL IMPACT REPORT

SPONSOR Padilla/H. Garcia ORIGINAL DATE 1/27/18
LAST UPDATED _____ HB _____

SHORT TITLE Solo-Worker Program SB 20

ANALYST Martinez

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|-----------|------------------------------|------------------|
| FY18 | FY19 | | |
| | \$1,500.0 | Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates: HB199

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department

SUMMARY

Synopsis of Bill

This bill makes an appropriation from the general fund to the Economic Development Department (EDD) in the amount of \$1.5 million for the Solo Worker Program.

FISCAL IMPLICATIONS

In 2017, up to \$1 million of the \$10 million Job Training Incentive Program (JTIP) special appropriation was earmarked for the New Mexico Solo Worker Program for FY18. EDD allocated \$350 thousand for a New Mexico Solo Worker Pilot Program in FY18.

EDD issued a request for proposals for the NM Solo-Worker Pilot Program on June 14, 2017. Proposals were received from two communities, Cibola County Economic Development Foundation (CCEDF) and Las Vegas San Miguel County Economic Development Corporation (LVSMCEDC).

The Economic Development Commission voted to accept EDD's funding recommendation on August 7, 2017. CCEDF was approved for \$105 thousand for 30 job placements in FY18. LVSMCEDC was approved for \$103 thousand for start-up costs and 18 job placements in FY18.

To date EDD has dispersed \$50 thousand to LVSMCEDC for start-up expenses. Neither CCEDF nor LVSMCEDC have submitted requests for reimbursement for job placements in FY18 to date.

A second request for proposals for NM Solo Worker funds was issued by EDD on December 18, 2017. The current balance of available funds is \$132 thousand, which is estimated to be sufficient to support no more than two additional pilot projects in FY18. The Economic Development Commission will consider applications submitted for this funding round at their meeting on February 2, 2018. Funds approved for NM Solo Worker projects must be expended by June 30, 2018.

SIGNIFICANT ISSUES

The following significant issues were provided by the Economic Development Department:

Cost per Job

The Cibola County Economic Development Foundation (CCEDF) program provided the most data and has been operational the longest. The program began with 92 applicants, placed 12 and ultimately 4 remained employed. The total cost of the program, in-kind and real, was \$360 thousand. Providing a cost per job of nearly \$90 thousand. Removing in-kind costs, that number is \$49 thousand.

This program follows the Digital Works/SoloWorks Centers model initially launched in Ohio. This program model is heavily front loaded with the major components of the budget devoted to overhead for the establishment and maintenance of a center, staff, curriculum, and training costs required by Digital Works. The Center has experienced periodic interruptions due to funding and staffing issues.

Retention

32 candidates resulted in 4 permanent jobs. That is a retention rate of 12.5 percent versus JTIP's one-year retention rate of 78 percent. While the Grants program retention is low, it is acknowledged that no training is wasted. Those that finished the training but did not seek employment or were not hired still were provided soft skills and computer skills training.

Wages & Benefits

According to the Census Bureau, the median annual earnings for solo workers in New Mexico in 2016 was \$23.4 thousand or \$11.26 per hour. That can be compared to JTIP's average hourly wage of \$18 - \$20 per hour. The majority of solo workers are paid on a 1099, which means they receive no benefits. The cost to purchase health care coverage further reduces the \$11.26 per hour. Most 1099 employees that work and live in different states must pay taxes to both states.

Operating programs have not yet realized a graduation or placement rate to conclude whether the programs are successful either in terms of people trained, hired or compensated above poverty wages. Both the current active programs are based on the Digital Works SoloWorks Center model and it is possible that the NM Solo Worker Program will receive applications for remote worker training that may be more viable.

NM communities will need to make significant and multi-year commitments to staffing, work space, training and facilities to bridge state funding.

It should be noted that it can take multiple years for a program to have sufficient data to be measured on its effectiveness.

ADMINISTRATIVE IMPLICATIONS

The Economic Development Department stated that the agency does not have adequate staff to manage this program nor money in the personnel budget to add staff to oversee this program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB199 duplicates SB20.

OTHER SUBSTANTIVE ISSUES

The following substantive issues were provided by the Economic Development Department:

The SoloWorks Centers program model currently in place in New Mexico has enhanced the Digital Works model in an effort to engage the communities in a more meaningful way, get community buy-in and to build safety nets to address the more social challenges associated with program. While current data does not suggest it is a cost effective model for New Mexico, there are some communities that may have the resources and financial capability to run this type of program. It is also important to emphasize that the Solo Works Centers model is one program model that could be eligible for funding through the NM Solo Works Program at EDD. It is the Department's interpretation of the legislation that other programs that support the development of remote workers as well as entrepreneurs could also be eligible. If additional funding is appropriated to the NM Solo Worker Program, EDD will work toward transitioning the pilot program to a more structured, formalized program. That would shift the program to a completely performance based program with robust performance metrics.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

EDD stated that established solo worker programs that have adopted the SoloWorks Center model may not be able to continue operating.

JM/jle/al