

# Economic & Rural Development Interim Committee

## Update on JTIP and LEDA

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JON BARELA, CABINET SECRETARY

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# Job Training Incentive Program (JTIP)

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# JTIP Activity in FY15

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## 59 Companies Approved

- Thirteen companies in rural locations including Alamogordo, Alcalde, Deming, Maxwell, Portales, Roswell, Santa Teresa, Socorro and Taos
  - Established JTIP policy gives preferences for rural projects, including 65-75% reimbursement percentages vs 50% for urban projects, and no limit on company size for Step Up eligibility
  - 194 of the jobs funded in FY15 were rural, of which 58 were high wage
  - 61 incumbent workers trained through Step Up

58% of the companies approved were manufacturers

\$11,641,538 Funds Approved

2,011 Jobs

\$17.26 Average Wage

\$5M in claims for reimbursement paid out



# JTIP Budget Report as of August 2015

Cash Balance (includes \$7.5M FY16 Appropriations)	\$14.3M
Current Obligations	<u>(\$9.1M)</u>
Unobligated Balance for FY16	<u>\$5.2M</u>
JTIP FY16 Prospects	(\$6.5M)



# JTIP Policy Amendments for FY16

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Additional 5% reimbursement above the standard rates for the following:

- JTIP trainee is a recent graduate (within 12 months) of a New Mexico institution of higher education
- JTIP trainee is a U.S. veteran

Companies located in federally designated Colonias in New Mexico are eligible for up to 75% reimbursement.

Definition of “urban community”: *A municipality with a population of 60,000 or more according to the most recent federal decennial census.*

- Under previous policy the population threshold was 40,000. As a result of this change, Roswell and Farmington will be categorized as rural, and therefore companies located there will be eligible for up to 65% reimbursement.



# Local Economic Development Act (LEDA)

DISCUSSION OF POLICY GUIDELINES

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# \$50.0 Million

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- \$37.5M appropriated in the 2015 legislative general session
- \$12.5M appropriated in the 2015 legislative special session
- More than 30 states have deal closing funds with varying levels of accountability
  - Good and bad examples as to how these funds are deployed
- Any use of public funds requires a high level of transparency
- At least \$2.5 million allocated to rural areas in the general appropriations act



# Best & Worst Practices Nationally

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## BEST:

- Clawback provisions
- Objective scoring tool
- Financial due diligence to minimize risk
- Permanent jobs at good wages
- Specific thresholds for job creation
- Commitment of local government
- Fully-funded project, shovel ready
- Audit or compliance verification process

## WORST:

- Incentivizing low-wage jobs and questionable projects
- Missing compliance process
- Weak awards agreements
- Lack of financial due diligence
- Non-disclosure of recipients, amounts, selection process
- Lack of documentation



# The Town Hall Process

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Planning started the day after the appropriation bill was signed

Town Halls were conducted in 5 communities around the state

Total attendance was approximately 300

Worked with DFA and LFC on process, schedule and attendance



# Key Public Comments

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Need for “spec” buildings

- Demonstrate market demand
- Other investors participate
- State will not bear the greatest burden
- Space will not be convertible to retail purposes

No public push back on retail guideline

Discussions with legislative leadership and administration

No commission or board structure

Final funding decisions made by the Secretary in consultation with the Governor

Small business support

Leverage other resources



# EDD LEDA Goals

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- Overall goals:
  - Equitable, transparent, efficient, accountable
- Private sector job creation and increased wages
- Community impact and support
- Rural and underserved areas of our state
- Capital investment and leverage non-state funds
- Environmentally sustainable outcomes
- Financial soundness and readiness to proceed
- Expand New Mexico businesses
- Relocate new companies to the state



# LEDA Metrics

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- Performance measures are developed annually in cooperation with the Legislative Finance Committee, the Department of Finance & Administration & EDD.
- Measures are submitted with the agency budget request and strategic plan each year on September 1<sup>st</sup>.
- Two LEDA performance measures in FY16:
  - Private sector dollars leveraged by each LEDA dollar – 5 to 1
  - Number of jobs created through the use of LEDA funds – 1,500



# LEDA Guidelines

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- Must create permanent FTEs (minimum 32 hours per week)
- Goal: 10 to 1 ratio of private investment to LEDA funds
- Economic base business such as manufacturing, warehousing, exported services
  - EDD target industry clusters: aerospace & defense; advanced manufacturing; back office & technical support; digital & emerging media; energy; food processing; and logistics & transportation
- No retail projects with state funds
- Must be demonstrated competition for the project from out of state
- No government facilities or government jobs
- Due diligence process and minimal risk to state



# LEDA Guidelines, cont.

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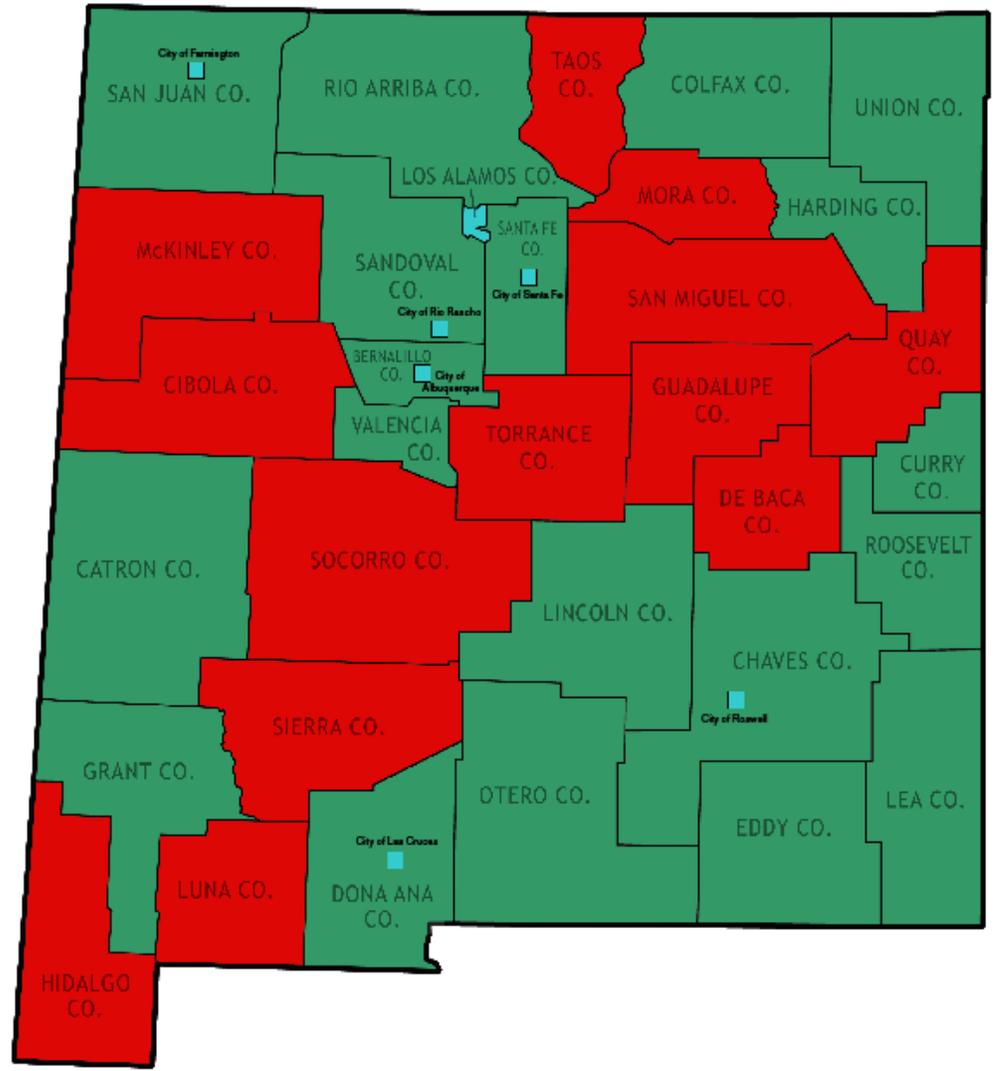
- Project must be fully-funded and shovel ready
- Equal consideration will be given to competing businesses
- Project's environmental footprint will be considered, including priorities
- Not for venture capital or seed funding
- Won't replace the traditional capital outlay process
- Tiered thresholds based on urban, rural or economically-distressed (see map, #15)
- Competitive wages that support New Mexico families (see chart, #16)



# Urban, Rural and Economically-Distressed

Minimum job creation requirements, wage thresholds, and the ratio of private sector investment to public funds are typically determined by the location of the project.

Economically-distressed areas are usually those with high unemployment, a higher rate of poverty, and lower median income levels.



- Cities of Albuquerque, Farmington, Las Cruces, Rio Rancho, Roswell and Santa Fe; and Los Alamos County (and all the communities within Los Alamos County) are considered "Urban"
- Rural Counties including every community in each county is considered "Rural" except the cities cited above
- Economically distressed rural counties

Note: Frontier communities are all communities (regardless of the county they are located in) with a population below 7,500 according to the 2010 Census. Projects on tribal land are considered economically distressed.

# LEDA Project Disclosure in Real Time

## FY16 Project Pipeline

Reported in real time on our website, [goNM.biz](http://goNM.biz), and in our quarterly performance report



Project #	Industry Sector	Urban	Rural	TBD	Number of Jobs	LEDA Amount Requested
FY16-01	Advanced Manufacturing	X			50-100	\$500,000
FY16-02	Back Office & Technical Support	X			300-500	\$500,000
FY16-03	Advanced Manufacturing		X		100-200	\$1.5M
FY16-04	Aerospace & Defense		X		50-100	\$500,000
FY16-05	Advanced Manufacturing		X		200-500	\$7.1M
FY16-06	Aerospace & Defense	X			50-100	\$900,000
FY16-07	Value-Added Agriculture		X		10	\$25,000
FY16-08	Back Office & Technical Support	X			300-600	\$5M
FY16-09	Advanced Manufacturing		X		150-250	\$2M
FY16-10	Back Office & Technical Support			X	30-50	TBD
FY16-11	Value-Added Agriculture		X		150-250	\$2M
FY16-12	Distribution & Logistics		X		15	\$100,000
FY16-13	Back Office & Technical Support			X	200-500	\$2.2M
FY16-14	Advanced Manufacturing		X		15	\$100,000
FY16-15	Advanced Manufacturing	X			100-200	\$2.5M
FY16-16	Distribution & Logistics			X	100-200	\$2M
FY16-17	Back Office & Technical Support	X			200-500	\$500,000
FY16-18	Advanced Manufacturing			X	TBD	TBD
FY16-19	Value-Added Agriculture		X		50-100	TBD
FY16-20	Advanced Manufacturing		X		50-100	TBD
FY16-21	Back Office & Technical Support	X			200-400	\$400,000
FY16-22	Value-Added Agriculture		X		10	\$100,000
FY16-23	Back Office & Technical Support			X	60-120	TBD

# LEDA Funding Decisions

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Additional consideration will be given to projects:

- Located in Rural and Frontier communities
- In Economically Distressed areas (identified on map)
- In communities that have experienced a significant natural or man-made disaster
- Communities that have lost a major industry or employer



# LEDA Process

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Once a project has been selected for funding, a Notice of Funding Allocation (NOFA) is sent to the community outlining the process.

The Qualifying Entity is required to submit a LEDA application which includes supporting documents such as financial statements and corporate information.

Proof of the community LEDA ordinance, and compliance with the Executive Order pertaining to grant audit requirements is required.



# LEDA Capital Outlay: Funding Timeframe

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The length of time it takes to compile the requested documents will be determined by the project Qualifying Entity & Community.

Funds transfer to a community requires approval of the governing body:

- Project Participation Agreement (PPA) between the Qualifying Entity & the Community;

- Intergovernmental Agreement (IGA) between the governing body/fiscal agent and the NMEDD;

- Security Document which secures the funds invested against non-performance and which may be “clawed back” in the event of such for the life of the project;

- LEDA Ordinance which outlines the scope of work, including job creation information and capital investment made into the project.



# Funds Disbursement/Compliance

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Funding is on a reimbursement basis.

Once the process is completed, funds are transferred to the community but may not be disbursed until the Qualified Entity submits invoices and the invoices are approved by NMEDD.

Qualified Entities are required to submit Department of Workforce Solutions Form ES903A to report job creation for the life of the project.

The fiscal agent will submit semi-annual reports to NMEDD, due by the end of month in May and November, outlining project performance and community impact.

