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FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 2/13/03 HB 8/aHBIC/aHAFC

SHORT TITLE: In-Plant Training SB _____

ANALYST: Collard

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 15
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

Responses Received From
Economic Development Department
Commission on Higher Education

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 8 begins with the deletion of all HBIC amendments. The amendment then strikes the appropriation, and provides for distribution of the In-Plant Training dollars. The amendment requires one-third of the money to be spent in rural areas and two-thirds of the money to be spent in urban communities. The amendment provides definitions for “non-urban community” and “urban community.” Finally, the amendment allows \$50.0 of the In-Plant Training money to be used by the Economic Development Department for administration purposes.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment ensures that \$5,000.0 of the total \$15,000.0 appropriated to the development training fund will be expended in non-urban communities in the state.

Significant Issues

Again, the Economic Development Department indicates a need for an administrative appropriation. The department notes the legislature's desire to expend this appropriation in non-urban communities, and indicates the administrative money will be used to continue funding a term position that is currently working in the non-urban communities of the state.

The Commission on Higher Education indicates an administrative impact as the commission's executive director is a member of the Industrial Development Training Board and he and his staff serve on the proposal review team. The commission staff notes they can assist the Economic Development Department with the participation if the program is expanded.

TECHNICAL ISSUES

The Economic Development Department suggests the following amendments:

- ? In Subsection C(1) and (2) change "urban community" and "non-urban community" to "urban company" and "non-urban company" as the program does not serve communities, it serves companies;
- ? In Subsection B, change the word "expended" to "allocated" as the board allocates the dollars when the board approves funding requests; and
- ? "Encourage" the program coordinators to use the dollars in non-urban communities, rather than "require" an amount be spent in non-urban communities because opportunities to acquire new businesses may be lost and non-urban community money may sit idle with restrictions on the appropriation.

Synopsis of Original Bill

House Bill 8 appropriates \$15 million from the general fund to the development training fund for Economic Development Department to provide classroom and in-plant training for certain new or expanding industries and businesses in the state. This bill has an emergency clause.

FISCAL IMPLICATIONS

The appropriation of \$15,000.0 contained in this bill is a recurring expense to the general fund since the legislature considers requests for funding this program each year. The funds are appropriated to the development training fund. Any unexpended or unencumbered balance remaining at the end of FY03 shall not revert to the general fund.

The industrial development fund currently has a balance of \$15,159.3 and \$10,000.3 of this total is unencumbered. This balance is from the following sources: FY03 appropriated funding, company reversions, due to the recent downturn in the economy, and Temporary Assistance for Needy Families funds.

ADMINISTRATIVE IMPLICATIONS

The Economic Development Department indicates there is not an appropriation for administration of the program and there has not been an appropriation since 1999, when it received \$160.0. The agency indicates that those funds will be depleted by the end of FY03.

RELATIONSHIP

This bill relates to House Bill 15, which appropriates \$20 million to the In-Plant training program.

OTHER SUBSTANTIVE ISSUES

The Economic Development Department indicates the consequences of not enacting this bill would result in the loss of New Mexico's most significant incentive tool, which is used to create jobs. The department states, without these new jobs, the state will lose large amounts of new payroll dollars to be circulated in the economy, taxable spending dollars, gross receipts tax revenue, property tax revenue, lodger's tax revenue and New Mexico personal income tax revenue. The revenue can significantly upgrade school districts and infrastructure in communities where jobs are created with training reimbursement. The In-Plant Training program funds full-time-equivalents (FTE) and does not fund part-time or temporary employees.

There have been issues regarding the kinds of companies that are funded through this program, especially in the low-wage telemarketing arena. For example, Stream International has been awarded four contracts since its opening in 2000. The company has been awarded \$4,544.0 in training funds and they have expended \$2,391.1. Including Stream International's current allotment to train 200 employees, the in-plant training program has funded training for approximately 653 FTE*. Stream International housed 626 FTE as of November 2002. In-Plant funding has trained approximately 27 more FTE than the company employs. The Economic Development Department indicates the high turnover rate is due to Stream International's strict attendance policy and the company's turnover rate is not higher than the call center industry average.

POSSIBLE QUESTIONS

1. Would companies that were funded have come to New Mexico without this incentive ?
2. What can be done about high turnover rates ?

*This number is based on pro-rated figures.

KBC/njw:yr