

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 1-22-12

SPONSOR Lujan LAST UPDATED \_\_\_\_\_ HB 8

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

ANALYST Lucero

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
	\$10,000.0	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 8 appropriates \$10,000,000 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 declares an emergency.

### FISCAL IMPLICATIONS

The appropriation of ten million dollars (\$10,000,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2012 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 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 two million dollars (\$2,000,000) 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 one million dollars (\$1,000,000) disbursed annually from the development training program may be dedicated to development training in green industries.

EDD notes the development training fund has an unobligated cash balance of \$3.7 million but has \$3.8 million of funding requests under consideration for the remainder of FY12 and \$6.2 million of funding requests for FY13.

## **SIGNIFICANT ISSUES**

Despite the increasing demand for funding from JTIP since 2001, the annual appropriation has declined. The Legislature appropriated \$1.25 million during the 2011 legislative session which was significantly lower than the \$5 million appropriated during the 2010 legislative session.

The EDD reports JTIP historical annual expenditures in excess of \$5 million.

JTIP reimburses qualifying companies 30 to 75 percent of the wages paid to newly hired employees for up to six months. The program also 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. Up to one-third of JTIP funding is prioritized for rural, frontier, and distressed areas of the state. JTIP is often instrumental in companies' decisions to locate or expand in New Mexico.

EDD notes that the demand for JTIP has increased significantly since the early 2000's when JTIP funded an average of 40 projects per year. The number of projects per year increased to an average of 60 but decreased recently due to decreased funding and a difficult economy during the last three years.

EDD is also focused on creating quality jobs for New Mexicans. JTIP reimburses a percentage of the wage paid to trainees and as the overall wage level increases, so does the demand for funds. The average wage of JTIP participants has increased from \$12.47 in 2006 to \$18.74 at the end of FY11. .

## **PERFORMANCE IMPLICATIONS**

The Economic Development Department has focused on promoting incentives to rural businesses. To encourage job creation in rural New Mexico, the JTIP program offers higher reimbursement rates in rural communities. Reimbursement rates are:

- Urban with 50 or more employees = 30 percent
- Urban with fewer than 50 employees = 40 percent
- Rural = 65 percent
- Frontier = 70 percent
- Native American and Economically Disadvantaged = 75 percent

The Economic Development Department reports that the JTIP is exceeding its performance goals for FY12 in measures that gauge the average wage of jobs funded through JTIP and in the

number of businesses participating in JTIP. It is at 63% of its goal for rural participation and the staff is working on several projects in rural areas of NM, which are in the pipeline.

Rural projects funded recently include:

- Montell Fabrication – 7 jobs in Corona and Deming
- MakInnovations – 3 jobs in Ruidoso Downs
- Geobruigg North America – 19 jobs in Algodones
- Plenish – 3 jobs in Taos
- Louisiana Energy Systems/Urenco – 34 jobs in Eunice

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), Hewlett Packard (Rio Rancho), Fidelity Investments (Albuquerque), Schott Solar (Albuquerque), CD Squared Enterprises (Gallup), JBC International (Chaparral), Lowe’s Companies, Inc. (Albuquerque) and Beauty Health & Science Innovations, Inc. (Clovis).

**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 \$10 million.

**OTHER SUBSTANTIVE ISSUES**

The EDD reports the FY13 potential project pipeline includes:

Project Name:	Jobs	Estimated JTIP	
Project Karausel (aka Blue) - (ABQ)	160	900,000	<i>Phase 2</i>
Project Terry (Metro)	300	1,800,000	<i>Phase 2</i>
BHSI (Cosmetics-Clovis)	150	500,000	<i>Phase 2</i>
Project Improv (ABQ)	150	400,000	<i>Phase 2</i>
Project Diode (ABQ)	50	250,000	
Project Verano (LC)	150	400,000	<i>Phase 2</i>
Joule: (Hobbs)	100	600,000	<i>Phase 2 &amp; 3</i>
Project INIS	100	1,100,000	<i>Phase 1 &amp; 2</i>
Project Purple	50	300,000	<i>Phase 1 &amp; 2</i>
Total for FY13	1,210	6,250,000	

Other projects under consideration include Project Arrow (AED); Project Blue Grass (AED);

Project Transfer (AED) and Project Bartlett (NMP) and Project Dairy (NMP), which are too far out to include.

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

EDD and the economic development organizations throughout the state consider JTIP a premier incentive program which directly supports economic growth and the creation of new jobs for New Mexicans. The program requires additional funding to continue to meet the demand of those projects already on the queue for the remainder of FY12 and FY13.

For almost 40 years, New Mexico's Job Training Incentive Program has been a crucial force in New Mexico's economic growth and it is even more critical during this economic downturn.

DL/amm